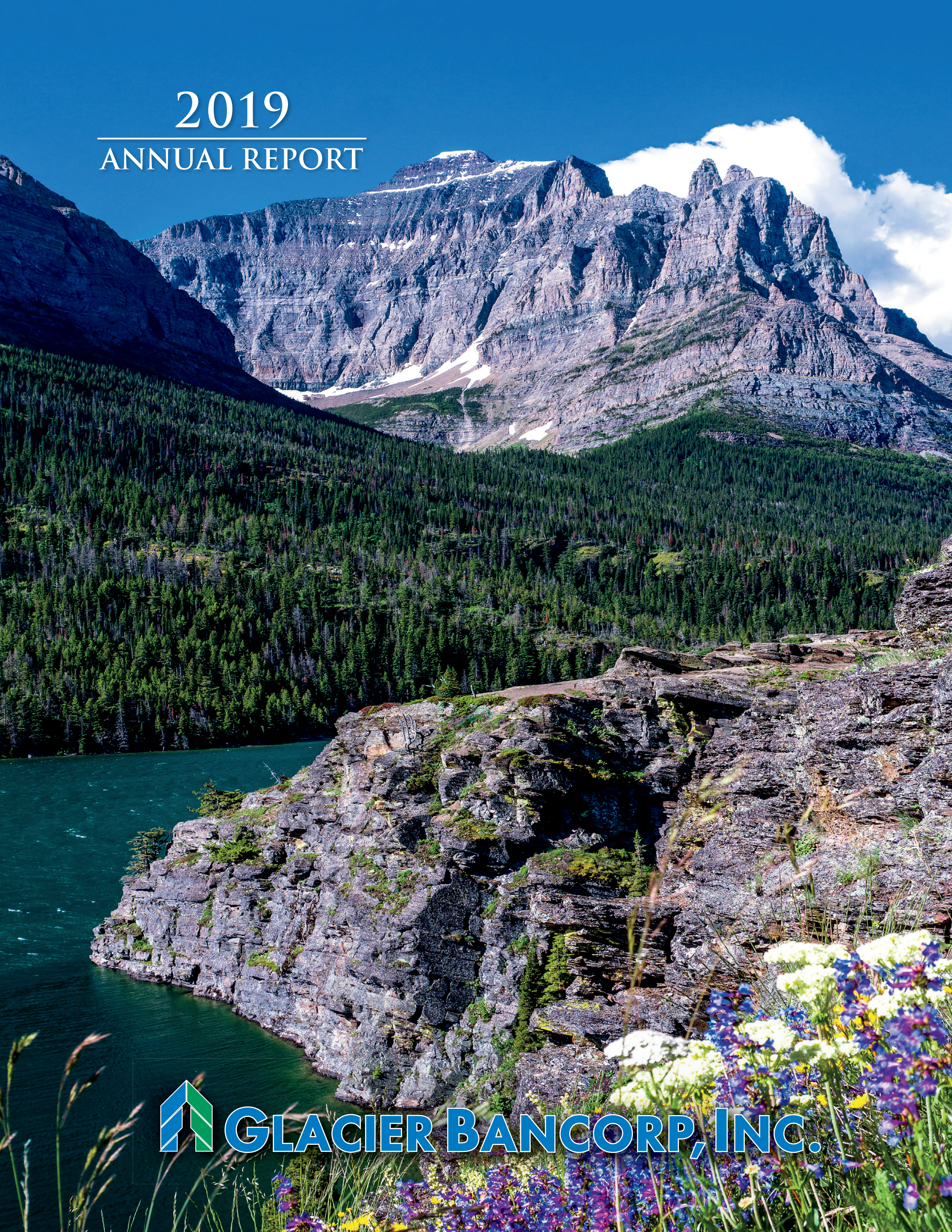
2019
ANNUAL REPORT



Glacier Bancorp, Inc.

INVESTOR INFORMATION

2019 Cash Dividends Declared

Frequency	Record Date	Payment Date	Per Share Amount
Quarterly (1)	April 9, 2019	April 18, 2019	$0.26
Quarterly (2)	July 9, 2019	July 18, 2019	$0.27
Quarterly (3)	October 8, 2019	October 17, 2019	$0.29
Quarterly (4)	December 10, 2019	December 19, 2019	$0.29
Special	January 7, 2020	January 16, 2020	$0.20

Ten-Year Common Stock Price and Dividend History

	Common Stock Price			Cash Dividends
Year	High	Low	Close	Declared Per Share
2010	$19.00	$12.84	$15.11	$0.52
2011	$16.00	$8.95	$12.03	$0.52
2012	$16.33	$12.12	$14.71	$0.53
2013	$30.88	$14.76	$29.79	$0.60
2014	$30.79	$24.27	$27.77	$0.98
2015	$30.29	$22.16	$26.53	$1.05
2016	$37.87	$21.90	$36.23	$1.10
2017	$41.23	$31.38	$39.39	$1.14
2018	$47.67	$35.77	$39.62	$1.31
2019	$46.51	$37.58	$45.99	$1.31

2020 Anticipated Dividend Dates [1]

Quarter	Record Date	Payment Date
1	April 7, 2020	April 16, 2020
2	July 7, 2020	July 16, 2020
3	October 13, 2020	October 22, 2020
4	December 8, 2020	December 17, 2020

2020 Anticipated Earnings Dates [1]

Quarter	Announcement Date
1	April 23, 2020
2	July 23, 2020
3	October 22, 2020
4	January 28, 2021

[1] Subject to approval by the Board of Directors

Stock Listing
Glacier Bancorp, Inc.'s common stock trades on the NASDAQ Global Select Market under the symbol: GBCI. There are approximately 1,533 shareholders of record for Glacier Bancorp, Inc. stock.

Annual Meeting
The Annual Meeting of Shareholders will be held April 29, 2020 at 9:00 a.m. Mountain Time at The Hilton Garden Inn, 1840 Highway 93 South, Kalispell, Montana.

Automatic Dividend Reinvestment Plan
Shareholders may reinvest their dividends and make additional cash purchases of common stock by participating in the Company's dividend reinvestment plan. Call American Stock Transfer & Trust Company at (877) 390-3076 for more information and to request a prospectus.

Email Notifications
Readers may subscribe to Glacier Bancorp, Inc. email notifications for corporate events, document filings, press releases and end-of-day stock quotes in the Email Notification section of the Company's website.

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Kalispell, Montana 59901
(406) 751-7708
www.glacierbancorp.com

Stock Transfer Agent
American Stock Transfer & Trust Company, LLC
Brooklyn, New York
(877) 390-3076
www.amstock.com

Independent Registered Public Accountants
BKD, LLP
Denver, Colorado
www.bkd.com

Legal Counsel
Miller Nash Graham & Dunn LLP
Seattle, Washington
www.millernash.com

Moore, Cockrell, Goicoechea & Johnson, P.C.
Kalispell, Montana
www.mcgalaw.com

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Another year gone by and, I'm happy to report, a number of records achieved in 2019. The Glacier team once again set itself above the rest with industry leading performance and we couldn't be more proud of our over 3,000 employees across our 181 locations in the dynamic western United States.

The total return on our stock for 2019 was 20.09 percent. This is an annualized measure of share price appreciation and dividends. While every year is important, we believe that maintaining our long term annual total return provides the best value to shareholders. Over the last five years, our total return was a market leading 98.02 percent compared to the KBW Regional Banking Index which was 53.03 percent over the same period. We continue to manage the Company for the long haul and do our best not to get distracted by short term market issues or developments.

Our core business strategy remains consistent - offer excellent local service in each of our markets led by decision makers who are empowered to meet customer needs. We serve markets from rural to more urban but always focus on the customers who want a relationship with a local community bank. Where possible, we like to occupy the top market share position because this gives us pricing power on loans and deposits and also helps us attract and retain the best people. We offer simple high value products that meet our customers' needs. And when it comes to acquisitions, we just concentrate on looking for good banks in good markets with good people. We encourage a Company culture of doing the right thing to build the business for the long term.

Our western U.S. markets continued to be economically strong - attracting more new residents from across the country who are attracted by the high quality of life, business friendly environment, and lower cost of living.

The Presidents of our 16 Divisions and their dedicated teams are a key part of our success. The Company's unique business model enables these Divisions to deliver excellent service in their local markets because they are empowered to make decisions and allocate resources to best serve their customers and communities.

Net income, earnings per share, and the tangible book value of the Company reached record levels in 2019.

We were recognized by *Forbes* and *Bank Director* as one of the top-performing banks in the U.S. as measured by a number of key factors.

We set a record with acquisitions announced in a single year with all three being great strategic additions. Our first announced transaction was First National Bank in Layton, Utah. This was followed by Heritage Bank in Reno, Nevada and then State Bank of Arizona in Lake Havasu City, Arizona. All three transactions have now been completed and added over $2 billion in assets, another record for the Company. I will talk about these transactions in more detail later.

We experienced record improvement in our credit portfolio in 2019 by putting a lot of work into resolving troubled credits. Non-performing assets as a percentage of total assets declined to the lowest level achieved by the Company in over a decade. We prepared for the next economic downturn by clearing out as many troubled credits as possible from our inventory.

Our balance sheet remains very strong, with Common Equity Tier 1 (CET1), our preferred risk-adjusted measure of capital, well above regulatory minimums and comfortably above peer banks. We subject our balance sheet to rigorous stress testing to ensure that the Company will be able to withstand extremely high stressed economic scenarios.

We continue to give back to the communities in which we do business as well. In 2019, the Glacier team volunteered over 27,000 hours in these communities, invested over $38 million in affordable housing projects, and loaned over $190 million to businesses that needed special financing assistance to grow.

And we provide a great working environment for our employees and also help them to save for the future. This year, our Profit Sharing program once again helped our employees save for retirement. A good example of how this can make a difference is the impact it has on employees earning $45,000 or less, where we deposited an average of over $3,000 into each of their individual company retirement accounts through our program.

Notable Developments in the Banking Industry

While this was not a new development for the banking industry, the Durbin Amendment impacted our Company results starting mid year in 2019. The Durbin Amendment was passed into law as part of the Dodd-Frank Wall Street Reform Act back in 2010. This amendment requires banks over $10 billion in assets to pay about half of their interchange income from debit cards to retailers in order to address retailers' concerns regarding the cost to process a debit card transaction. Because we grew beyond $10 billion in 2018, this reduction started hitting us in mid-2019 and cost us $10 million in revenue during the last half of the year. While this represents an earnings headwind for the Company going forward, we were still able to post a strong increase in earnings due to solid organic growth and high quality acquisitions.

The accounting industry is requiring a new standard to be adopted beginning in 2020. While this standard didn't impact us in 2019, we did spend a lot of the year getting ready for its implementation. The new Current Expected Credit Loss accounting standard, commonly known as CECL, is a major change to how banks account for loan loss reserves. The Financial Accounting Standards Board (FASB) wanted to ensure that the melt down that occurred in 2009 would not impact banks as severely if it happened again. The new standard requires that banks reserve for the expected life of loan loss on the day a loan is booked versus reserving when and if the loan actually goes bad. We will take a one time adjustment to capital in 2020 to build any needed reserves based on the size and components of our loan portfolio. Overall, because of our conservative approach to credit, we don't expect the impacts to be material.

Much like the new accounting standard, the Company's Environmental, Social and Governance performance (ESG) has become a more relevant company measure and we started working on this in 2019. A company's ESG score is an important factor that is used by investors to evaluate companies. We think we have a great story and we desire to be a leader in this area. Our performance in 2020 should begin to reflect this goal.

Performance Measurements

At our meetings with investors during the year, we are reminded that our Company valuation is built around how the total business operates. Specific performance measures are an important part of determining the value of a company, but strategy, management, and consistency of results matter too. One way to measure company valuation is through the price to tangible book value multiple. This measures a company's stock price as a multiple of its tangible book value. Our Company stock price reflects a premium to our tangible book value that is among the highest in the industry. We believe this reflects the total assessment of the enterprise and that the metrics that follow help support and maintain this multiple.

Tangible stockholders' equity ended 2019 at $1.4 billion and increased $264 million, or 22 percent over the prior year. Tangible book value per common share ended the year at $15.61 and increased $1.68, or 12 percent from a year ago. We think tangible book value per share is a good way to measure that the value of our Company is increasing.

Our earnings per share for 2019 increased $.21 to $2.38 per share, or 10 percent over the prior year.

We declared regular quarterly dividends of $1.11 per share, an increase of $.10 per share, or 10 percent over the past year. The Company has declared 139 consecutive quarterly dividends and has increased the dividend 45 times. We also declared a special dividend of $.20 per share in 2019. This was our 16th special dividend.

Net income was $211 million which was an increase of $29 million, or 16 percent over the prior year's net income.

Return on assets for the year was 1.64 percent, up from 1.59 percent from the prior year.

Return on tangible equity was 16.15 percent which was down slightly from 16.42 percent in the prior year primarily because we generated a lot of capital with our acquisitions.

Net interest margin ended the year at 4.39 percent which was an 18 basis points increase over the prior year. This represents a very strong performance and was led by our high quality deposit base where our core deposit pricing remained relatively unchanged in the face of rising interest rates in 2019. In 2020, we expect the margin to decrease as a result of sharply declining interest rates. While we will do everything we can to maintain our margin, we cannot defy the impact of significantly lower interest rates on our loan portfolio and new production. Fortunately, our loan portfolio is conservatively structured and, while asset sensitive, will take longer than many banks to reprice in a downward rate environment because most of our loans are priced on a 5 year basis with pre-payment penalties and interest rate floors that minimize the downside impact of rapid interest rate declines.

Our efficiency ratio, a measure of expenses as a percent of revenue, ended the year at 54.8 percent and excludes \$18.9 million of expenses that we incurred in the third quarter of 2019 that were not related to our core expense. The efficiency ratio is generally in the same range that we have achieved in the last several years and we expect to continue to operate in the 54 percent to 55 percent efficiency ratio range going forward. This performance level compares well to similar sized banks and also represents our commitment to reinvest in our business which is built on high service delivery. That being said, we are mindful that we operate in an industry that has continued to improve its efficiency performance and we are committed to maintaining a better efficiency ratio than our peers.

Total assets increased \$1.6 billion or 13 percent during 2019 including \$379 million from the acquisition of First National Bank and \$978 million from the acquisition of Heritage Bank.

Deposits increased \$1.3 billion, or 14 percent during 2019. The vast majority of these deposits were core deposits. Notably, non-interest bearing deposits increased \$695 million, or 23 percent in 2019. Much of this growth is the result of our lending teams doing a great job building relationships with their customers.

Our deposits costs remained relatively flat during the year, reflecting the value of the high quality core deposit franchise that our Company has built. At the end of the year, our core deposits costs were priced at 23 basis points - a full 50 basis points lower than the core deposit costs of similar sized banks.

Loans increased \$1.2 billion, or 15 percent in 2019 due to acquisitions and organic growth. Our loan composition remains good and within our desired mix of assets. Most of our loan portfolio is commercial real estate secured by the property and by borrower personal guarantees. The geographic distribution of our loan portfolio improved in 2019 especially when compared to where the Company was a decade ago. Back in 2009, 85 percent of our assets were concentrated in two states. Today, that 85 percent is spread out over 6 states. Our diversification across different geographies and economies provides superior risk mitigation and makes our Company much stronger.

Our investment portfolio ended 2019 at 20 percent of total assets compared to 24 percent a year ago. This is consistent with our desire to maintain our investment in securities between 20 percent and 25 percent of total assets.

The credit performance of our portfolio continued to show significant improvement in 2019 with non-performing assets to total assets dropping \$19 million to \$37 million, or 27 basis points of total assets. This is the lowest level the Company has achieved in decades and we are extremely proud of our Divisions and the Chief Credit Officers who made this possible.

Key Initiatives

As I noted previously, this was a record acquisition year with three transactions announced in 2019, representing in excess of \$2 billion in new assets. More importantly, these acquisitions represented great strategic additions and extend our presence significantly in three key states.

We started 2019 by announcing the acquisition of First National Bank in Layton, Utah. This is a bank with over 100 years of experience serving communities in Davis County, Utah. We combined the four branches we already had in Utah with the six branches of First National to create our first Utah headquartered Division, now renamed First

Community Bank Utah. This new Division, with assets over $500 million, is positioned as a top five market share leader in the Ogden-Clearfield MSA which is the second largest MSA in the state.

Our next acquisition was Heritage Bank in Reno, Nevada. This is one of the top performing community banks in the industry. Heritage Bank has been able to establish a unique position as the only community bank headquartered in Reno. With seven branches covering northern Nevada and a strong leadership positon, Heritage has been able to dominate the community banking market in an MSA with a population over 500,000. In addition, they built one of the highest quality loan portfolios that we have seen in the past 25 years. We really like the long term potential of this market as Reno has become a vibrant technology center with its close proximity to Silicon Valley, high quality of life, and lower cost business friendly environment.

State Bank of Arizona was our third announced acquisition in 2019 and we completed the transaction in early 2020. With total assets of $678 million and ten branches mainly covering northern Arizona, this bank was a highly complementary geographic fit with our existing Foothills Bank Division. We really liked the opportunity to establish a leading Arizona community bank under the Foothills brand. With this combination, we created Glacier's fifth largest bank Division with assets in excess of $1 billion and coverage in all of the six largest Arizona MSAs and market leadership in Prescott Valley, Yuma, and Lake Havasu City.

We are very excited about the incredible potential for these three acquisitions and welcome the First Community, Heritage, and State Bank folks and their customers to the Glacier team.

The Year Ahead

We will continue to focus on our business fundamentals and integrating the new acquisitions and introducing them to our products and services. CECL will take some time to fully implement but we are ready for this big change. We will continue to keep our eye on our digital competitors and make sure we make the right investments in order to keep our digital agenda moving forward. And, of course we will be actively watching events like the Coronavirus pandemic and taking care to protect our employees, communities, and the Company.

Before I close this year's letter, I want to thank our Board of Directors for their commitment and support of our business. The Company has a legacy of strong Board leadership and the current Board carries on that tradition. Dallas Herron retired from the Chairman's role in January after 7 years as Chairman and will retire in April 2020 after 12 years of Board service. Dallas has led our Company through a number of challenges and did so with high integrity, a strong spirit of collaboration, and a sense of humor. Dallas has exciting plans for the future and we all wish him the best. Craig Langel was unanimously elected Chairman of the Board and has picked up the gavel to actively lead the Company going forward. Craig has been on the Board for 15 years and has been our Audit Committee Chair for over 11 years. We are very excited that Craig has accepted this new role and know that he will carry on the Company legacy of Board leadership excellence.

We have a tremendous group of people working for us and they come into work every day looking to be the best. I thank them all for their hard work, dedication and commitment without which we could not produce our industry leading results.

Thank you for your trust and confidence,

Randall "Randy" Chesler
President and Chief Executive Officer

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)	At or for the Years ended December 31, 2019	2018	2017	2016	2015
Selected Statements of Financial Condition Information					
Total assets	$ 13,683,999	12,115,484	9,706,349	9,450,600	9,089,232
Debt securities	2,799,863	2,869,578	2,426,556	3,101,151	3,312,832
Loans receivable, net	9,388,320	8,156,310	6,448,256	5,554,891	4,948,984
Allowance for loan and lease losses	(124,490)	(131,239)	(129,568)	(129,572)	(129,697)
Goodwill and intangibles	519,704	338,828	191,995	159,400	155,193
Deposits	10,776,457	9,493,767	7,579,747	7,372,279	6,945,008
Federal Home Loan Bank advances	38,611	440,175	353,995	251,749	394,131
Securities sold under agreements to repurchase and other borrowed funds	598,644	410,859	370,797	478,090	430,016
Stockholders' equity	1,960,733	1,515,854	1,199,057	1,116,869	1,076,650
Equity per share	21.25	17.93	15.37	14.59	14.15
Equity as a percentage of total assets	14.3 %	12.5 %	12.4 %	11.8 %	11.9 %
Summary Statements of Operations					
Interest income	$ 546,177	468,996	375,022	344,153	319,681
Interest expense	42,773	35,531	29,864	29,631	29,275
Net interest income	503,404	433,465	345,158	314,522	290,406
Provision for loan losses	57	9,953	10,824	2,333	2,284
Non-interest income	130,774	118,824	112,239	107,318	98,761
Non-interest expense	374,927	320,127	265,571	258,714	236,757
Income before income taxes	259,194	222,209	181,002	160,793	150,126
Federal and state income tax expense [1]	48,650	40,331	44,926	39,662	33,999
Net income [1]	$ 210,544	181,878	136,076	121,131	116,127
Basic earnings per share [1]	$ 2.39	2.18	1.75	1.59	1.54
Diluted earnings per share [1]	$ 2.38	2.17	1.75	1.59	1.54
Dividends declared per share	$ 1.31	1.31	1.14	1.10	1.05
Selected Ratios and Other Data					
Return on average assets [1]	1.64 %	1.59 %	1.41 %	1.32 %	1.36 %
Return on average equity [1]	12.01 %	12.56 %	11.46 %	10.79 %	10.84 %
Dividend payout ratio [1]	54.81 %	60.09 %	65.14 %	69.18 %	68.18 %
Average equity to average asset ratio	13.69 %	12.67 %	12.27 %	12.27 %	12.52 %
Total capital (to risk-weighted assets)	14.95 %	14.70 %	15.64 %	16.38 %	17.17 %
Tier 1 capital (to risk-weighted assets)	13.76 %	13.37 %	14.39 %	15.12 %	15.91 %
Common Equity Tier 1 (to risk-weighted assets)	12.58 %	12.10 %	12.81 %	13.42 %	14.06 %
Tier 1 capital (to average assets)	11.65 %	11.35 %	11.90 %	11.90 %	12.01 %
Net interest margin on average earning assets (tax-equivalent)	4.39 %	4.21 %	4.12 %	4.02 %	4.00 %
Efficiency ratio [2]	57.78 %	54.73 %	53.94 %	55.88 %	55.40 %
Allowance for loan and lease losses as a percent of loans	1.31 %	1.58 %	1.97 %	2.28 %	2.55 %
Allowance for loan and lease losses as a percent of nonperforming loans	385 %	266 %	255 %	257 %	244 %
Non-performing assets as a percentage of subsidiary assets	0.27 %	0.47 %	0.68 %	0.76 %	0.88 %
Non-performing assets	$ 37,437	56,750	65,179	71,385	80,079
Loans originated and acquired	$ 4,607,536	4,301,678	3,629,493	3,474,000	3,000,830
Number of full time equivalent employees	2,826	2,623	2,278	2,222	2,149
Number of locations	181	167	145	142	144

[1] Excludes a one-time revaluation of the deferred tax assets and deferred tax liabilities as a result of The Tax Cuts and Jobs Act for the year ended December 31, 2017. For additional information on the revaluation, see the "Non-GAAP Financial Measures" section in "Item 6. Selected Financial Data" of the attached Form 10-K.

[2] Non-interest expense before other real estate owned ("OREO") expenses, core deposit intangibles amortization, goodwill impairment charges, and non-recurring expense items as a percentage of tax-equivalent net interest income and non-interest income, excluding gains or losses on sale of investments, OREO income, and non-recurring income items.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission file number 000-18911

GLACIER BANCORP, INC.
(Exact name of registrant as specified in its charter)

Montana	**81-0519541**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
49 Commons Loop Kalispell, Montana	**59901**
(Address of principal executive offices)	**(Zip Code)**

(406) 756-4200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	GBCI	NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the voting common equity held by non-affiliates at June 30, 2019 (the last business day of the registrant's most recently completed second fiscal quarter), was $3,494,246,985 (based on the average bid and asked price as quoted on the NASDAQ Global Select Market as of the close of business on that date).

The number of shares of registrant's common stock outstanding on February 11, 2020 was 92,308,549. No preferred shares are issued or outstanding.

Document Incorporated by Reference

Portions of the 2020 Annual Meeting Proxy Statement dated on or about March 16, 2020 are incorporated by reference into Parts I and III of this Form 10-K.

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ABBREVIATIONS/ACRONYMS

ACL – allowance for credit losses
ALCO – Asset Liability Committee
ALLL or allowance – allowance for loan and lease losses
ARRC – Alternative Reference Rates Committee
ASC – Accounting Standards Codification™
ASU – Accounting Standards Update
ATM – automated teller machine
Bank – Glacier Bank
Basel III – third installment of the Basel Accords
BHCA – Bank Holding Company Act of 1956, as amended
Board – Glacier Bancorp, Inc.'s Board of Directors
bp or bps – basis point(s)
BSA – Bank Secrecy Act
CDE – Certified Development Entity
CDFI Fund – Community Development Financial Institutions Fund
CEO – Chief Executive Officer
CECL – current expected credit losses
CFO – Chief Financial Officer
CFPB – Consumer Financial Protection Bureau
Collegiate – Columbine Capital Corp. and its subsidiary, Collegiate Peaks Bank
Company – Glacier Bancorp, Inc.
COSO – Committee of Sponsoring Organizations of the Treadway Commission
CRA – Community Reinvestment Act of 1977
DDA – demand deposit account
DIF – federal Deposit Insurance Fund
Dodd-Frank Act – Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EGRRC Act – Economic Growth, Regulatory Relief, and Consumer Protection Act
EVE – economic value of equity
Fannie Mae – Federal National Mortgage Association
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FHLB – Federal Home Loan Bank
Final Rules – final rules implemented by the federal banking agencies that amended regulatory risk-based capital rules
FNB – FNB Bancorp and its subsidiary, The First National Bank of Layton
FRB – Federal Reserve Bank
Freddie Mac – Federal Home Loan Mortgage Corporation
FSB – Inter-Mountain Bancorp., Inc., and its subsidiary, First Security Bank
GAAP – accounting principles generally accepted in the United States of America
Ginnie Mae – Government National Mortgage Association
GLBA – Gramm-Leach-Bliley Financial Services Modernization Act of 1999
Heritage – Heritage Bancorp and its subsidiary, Heritage Bank of Nevada
Interest rate locks – residential real estate derivatives for commitments
Interstate Act – Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994
IRS – Internal Revenue Service
LIBOR – London Interbank Offered Rate
LIHTC – Low-Income Housing Tax Credit
MT Division of Banking – Montana Department of Administration's Division of Banking and Financial Institutions
NII – net interest income
NMTC – New Markets Tax Credits
NOW – negotiable order of withdrawal
NRSRO – Nationally Recognized Statistical Rating Organizations
OCI – other comprehensive income
OREO – other real estate owned
Patriot Act – Uniting and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001
PCAOB – Public Company Accounting Oversight Board (United States)
Proxy Statement – the 2020 Annual Meeting Proxy Statement
Repurchase agreements – securities sold under agreements to repurchase
ROU – right-of-use
S&P – Standard and Poor's
SBAZ – State Bank Corp. and its subsidiary, State Bank of Arizona
SEC – United States Securities and Exchange Commission
SERP – Supplemental Executive Retirement Plan
SOFR – Secured Overnight Financing Rate
SOX Act – Sarbanes-Oxley Act of 2002
Tax Act – The Tax Cuts and Jobs Act
TBA – to-be-announced
TDR – troubled debt restructuring
VIE – variable interest entity

PART I

Item 1. Business

General
Glacier Bancorp, Inc., headquartered in Kalispell, Montana, is a Montana corporation incorporated in 2004 as a successor corporation to the Delaware corporation originally incorporated in 1990. The terms "Company," "we," "us" and "our" mean Glacier Bancorp, Inc. and its subsidiaries, when appropriate. The Company is a publicly-traded company and its common stock trades on the NASDAQ Global Select Market under the symbol GBCI. We provide a full range of banking services to individuals and businesses from 181 locations in Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada through our wholly-owned bank subsidiary, Glacier Bank ("Bank"). We offer a wide range of banking products and services, including: 1) retail banking; 2) business banking; 3) real estate, commercial, agriculture and consumer loans; and 4) mortgage origination services. We serve individuals, small to medium-sized businesses, community organizations and public entities. For information regarding our lending, investment and funding activities, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company includes the parent holding company and the Bank. As of December 31, 2019, the Bank consists of sixteen bank divisions, a treasury division, an information technology division and a centralized mortgage division. The Bank divisions operate under separate names, management teams and advisory directors. and include the following:

- Glacier Bank (Kalispell, Montana) with operations in Montana;
- First Security Bank of Missoula (Missoula, Montana) with operations in Montana;
- Valley Bank of Helena (Helena, Montana) with operations in Montana;
- First Security Bank (Bozeman, Montana) with operations in Montana;
- Western Security Bank (Billings, Montana) with operations in Montana;
- First Bank of Montana (Lewistown, Montana) with operations in Montana;
- Mountain West Bank (Coeur d'Alene, Idaho) with operations in Idaho and Washington;
- Citizens Community Bank (Pocatello, Idaho) with operations in Idaho;
- First Bank (Powell, Wyoming) with operations in Wyoming;
- First State Bank (Wheatland, Wyoming) with operations in Wyoming;
- North Cascades Bank (Chelan, Washington) with operations in Washington;
- Bank of the San Juans (Durango, Colorado) with operations in Colorado;
- Collegiate Peaks Bank (Buena Vista, Colorado) with operations in Colorado;
- The Foothills Bank (Yuma, Arizona) with operations in Arizona;
- First Community Bank Utah (Layton, Utah) with operations in Utah; and
- Heritage Bank of Nevada (Reno, NV) with operations in Nevada.

The treasury division includes the Bank's investment portfolio and wholesale borrowings, the information technology division includes the Bank's internal data processing, and the centralized mortgage division includes mortgage loan servicing and secondary market sales. We consider the Bank to be our sole operating segment.

The Bank has subsidiary interests in variable interest entities ("VIE") for which the Bank has both the power to direct the VIE's significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could potentially be significant to the VIE. These subsidiary interests are included in the Company's consolidated financial statements. The Bank also has subsidiary interests in VIEs for which the Bank does not have a controlling financial interest and is not the primary beneficiary. These subsidiary interests are not included in the Company's consolidated financial statements.

The parent holding company owns non-bank subsidiaries that have issued trust preferred securities as Tier 1 regulatory capital instruments. The trust subsidiaries are not included in our consolidated financial statements. Our investments in the trust subsidiaries are included in other assets on our statements of financial condition.

As of December 31, 2019, the Company and its subsidiaries were not engaged in any operations in foreign countries.

Recent and Pending Acquisitions

Our strategy is to profitably grow our business through internal growth and selective acquisitions. We continue to look for profitable expansion opportunities primarily in existing and new markets in the Rocky Mountain and Western states. We have completed the following acquisitions during the last five years:

(Dollars in thousands)	Date	Total Assets	Gross Loans	Total Deposits
Heritage Bancorp and its wholly-owned subsidiary, Heritage Bank of Nevada (collectively, "Heritage")	July 31, 2019	$ 977,944	615,279	722,220
FNB Bancorp and its wholly-owned subsidiary, The First National Bank of Layton (collectively, "FNB")	April 30, 2019	379,155	245,485	274,646
Inter-Mountain Bancorp., Inc. and its wholly-owned subsidiary, First Security Bank (collectively, "FSB")	February 28, 2018	1,109,684	627,767	877,586
Columbine Capital Corp., and its wholly-owned subsidiary, Collegiate Peaks Bank (collectively, "Collegiate")	January 31, 2018	551,198	354,252	437,171
TFB Bancorp, Inc. and its subsidiary, The Foothills Bank	April 30, 2017	385,839	292,529	296,760
Treasure State Bank	August 31, 2016	76,165	51,875	58,364
Cañon Bank Corporation and its subsidiary, Cañon National Bank	October 31, 2015	270,121	159,759	237,326
Montana Community Banks, Inc. and its subsidiary, Community Bank	February 28, 2015	175,774	84,689	146,820

On September 30, 2019, we announced the signing of a definitive agreement to acquire State Bank Corp., the parent company of State Bank of Arizona, a community bank based in Lake Havasu City, Arizona (collectively, "SBAZ"). SBAZ provides banking services to individuals and businesses in Arizona with locations in Bullhead City, Cottonwood, Kingman, Lake Havasu City, Phoenix, Prescott Valley and Prescott. As of December 31, 2019, SBAZ had total assets of $678 million, gross loans of $439 million and total deposits of $587 million. The acquisition has received regulatory approvals, is subject to other customary conditions of closing and is expected to be completed in the first quarter of 2020. Upon closing of the transaction, SBAZ will merge into our Foothills Bank division and will expand our footprint in Arizona to cover all major markets in the state and be a leading community bank in Arizona.

See Note 22 in the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the 2019 and 2018 acquisitions.

Market Area and Competition

We have 181 locations, which consists of 164 branches and 17 loan or administration offices, in 66 counties within 8 states including Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada. The market area's economic base primarily focuses on tourism, construction, mining, energy, manufacturing, agriculture, service industry, and health care. The tourism industry is highly influenced by national parks, ski resorts, significant lakes and rural scenic areas.

Commercial banking is a highly competitive business and operates in a rapidly changing environment. There are a large number of depository institutions including savings and loans, commercial banks, and credit unions in the markets in which we have locations. Competition is also increasing for deposit and lending services from internet-based competitors. Non-depository financial service institutions, primarily in the securities, insurance and retail industries, have also become competitors for retail savings, investment funds and lending activities. In addition to offering competitive interest rates, the principal methods used by the Bank to attract deposits include the offering of a variety of services including on-line banking, mobile banking and convenient office locations and business hours. The primary factors in competing for loans are interest rates and rate adjustment provisions, loan maturities, loan fees, and the quality of service.

The following table summarizes our number of locations, the number of counties we serve and the percentage of Federal Deposit Insurance Corporation ("FDIC") insured deposits we have in those counties for each of the eight states we operate in. Percentages of deposits are based on the FDIC summary of deposits survey as of June 30, 2019.

	Number of Locations	Number of Counties Served	Percent of Deposits
Montana	71	17	26.1 %
Idaho	29	9	7.6 %
Utah	10	5	0.1 %
Washington	14	7	2.2 %
Wyoming	17	8	23.8 %
Colorado	25	12	1.5 %
Arizona	8	5	1.3 %
Nevada	7	3	5.8 %
	181	66	

Employees

As of December 31, 2019, we employed 3,046 persons, 2,801 of whom were employed full time and none of whom were represented by a collective bargaining group. We provide our qualifying employees with a comprehensive benefit program, including health, dental and vision insurance, life and accident insurance, short- and long-term disability coverage, vacation and sick leave, 401(k) plan, profit sharing plan, stock-based compensation plan, deferred compensation plans, and a supplemental executive retirement plan. We consider our employee relations to be excellent. See Note 13 in the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" for detailed information regarding employee benefit plans and eligibility requirements.

Board of Directors and Committees

The Company's Board of Directors ("Board") has the ultimate authority and responsibility for overseeing risk management at the Company. Some aspects of risk oversight are fulfilled at the Board level, and the Board delegates other aspects of its risk oversight function to its committees. The Board has established, among others, an Audit Committee, a Compensation Committee, a Nominating/Corporate Governance Committee, a Compliance Committee, and a Risk Oversight Committee. Additional information regarding Board committees is set forth under the heading "Meetings and Committees of the Board of Directors - Committee Membership" in the Company's 2020 Annual Meeting Proxy Statement ("Proxy Statement") and is incorporated herein by reference.

Website Access

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website (www.glacierbancorp.com) as soon as reasonably practicable after we have filed the material with, or furnished it to, the United States Securities and Exchange Commission ("SEC"). Copies can also be obtained by accessing the SEC's website (www.sec.gov).

Supervision and Regulation

We are subject to extensive regulation under federal and state laws. This section provides a general overview of the federal and state regulatory framework applicable to us. In general, this regulatory framework is designed to protect depositors, the federal Deposit Insurance Fund ("DIF"), and the federal and state banking system as a whole, rather than specifically for the protection of shareholders. Note that this section is not intended to summarize all laws and regulations applicable to us. Descriptions of statutory or regulatory provisions do not purport to be complete and are qualified by reference to those provisions.

These statutes and regulations, as well as related policies, continue to be subject to change by Congress, state legislatures, and federal and state regulators. Changes in statutes, regulations, or regulatory policies applicable to us (including their interpretation or implementation) cannot be predicted and could have a material effect on our business and operations. Numerous changes to the statutes, regulations, and regulatory policies applicable to us have been made or proposed in recent years. Continued efforts to monitor and comply with new regulatory requirements add to the complexity and cost of our business and operations.

The Company is subject to regulation and supervision by the Federal Reserve and the Montana Department of Administration's Division of Banking and Financial Institutions ("MT Division of Banking") and regulation generally by the State of Montana. The Company is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, which are both administered by the SEC. The Bank is subject to regulation and supervision by the FDIC, the MT Division of Banking, and, with respect to Bank branches outside of the State of Montana, the respective regulators in those states.

Federal and State Bank Holding Company Regulation

General. The Company is a bank holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"), due to its ownership of and control over the Bank. As a bank holding company, the Company is subject to regulation, supervision, and examination by the Federal Reserve. Further, because the Bank is a "regional banking organization" under Montana law, the Company (as a bank holding company of the Bank) is also subject to regulation, supervision and examination by the MT Division of Banking. In general, the BHCA limits the business of a bank holding company to owning or controlling banks and engaging in, or retaining or acquiring shares in a company engaged in, other activities closely related to the business of banking. In addition, the Company must also file reports with and provide additional information to the Federal Reserve.

Holding Company Bank Ownership. The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve before: 1) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5 percent of such shares; 2) acquiring all or substantially all of the assets of another bank or bank holding company; or 3) merging or consolidating with another bank holding company.

Holding Company Control of Non-banks. With some exceptions, the BHCA prohibits a bank holding company from acquiring or retaining direct or indirect ownership or control of more than 5 percent of the voting shares of any company that is not a bank or bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities that, by federal statute, agency regulation, or order, have been identified as activities closely related to the business of banking or managing or controlling banks.

Transactions with Affiliates. Bank subsidiaries of a bank holding company are subject to restrictions imposed by the Federal Reserve Act on extensions of credit to the holding company or its subsidiaries, on investments in securities, and on the use of securities as collateral for loans to any borrower. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") further extended the definition of an "affiliate" and treats credit exposure arising from derivative transactions, securities lending, and borrowing transactions as covered transactions under the regulations. It also 1) expands the scope of covered transactions required to be collateralized; 2) requires collateral to be maintained at all times for covered transactions required to be collateralized; and 3) places limits on acceptable collateral. These regulations and restrictions may limit the Company's ability to obtain funds from the Bank for its cash needs, including funds for payments of dividends, interest, and operational expenses.

Tying Arrangements. We are also prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, sale or lease of property, or furnishing of services. For example, with certain exceptions, we may not condition an extension of credit to a customer on either 1) a requirement that the customer obtain additional services provided by us; or 2) an agreement by the customer to refrain from obtaining other services from a competitor.

Support of Bank Subsidiaries. Under Federal Reserve policy and the Dodd-Frank Act, the Company is required to act as a source of financial and managerial strength to the Bank. This means that the Company is required to commit, as necessary, capital and resources to support the Bank, including at times when the Company may not be in a financial position to provide such resources or when it may not be in the Company's or its shareholders' best interests to do so. Any capital loans a bank holding company makes to its bank subsidiaries are subordinate to deposits and to certain other indebtedness of the bank subsidiaries.

State Law Restrictions under Corporate Law. As a Montana corporation, the Company is subject to certain limitations and restrictions under applicable Montana corporate law. For example, Montana corporate law includes limitations and restrictions relating to indemnification of directors, distributions to shareholders, transactions involving directors, officers, or interested shareholders, maintenance of books, records, and minutes, and observance of certain corporate formalities.

Federal and State Regulation of the Bank

General. Deposits in the Bank are insured by the FDIC. The Bank is subject to primary supervision, periodic examination, and regulation of the FDIC and the MT Division of Banking. These agencies have the authority to prohibit the Bank from engaging in what they believe constitute unsafe or unsound banking practices. The federal laws that apply to the Bank regulate, among other things, the scope of its business, its investments, its reserves against deposits, the timing of the availability of deposited funds, and the nature and amount of and collateral for loans. Federal laws also regulate community reinvestment and insider credit transactions and impose safety and soundness standards. In addition to federal law and the laws of the State of Montana, with respect to the Bank's branches in Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada, the Bank is also subject to the various laws and regulations governing its activities in those states.

Consumer Protection. The Bank is subject to a variety of federal and state consumer protection laws and regulations that govern its relationships and interactions with consumers, including laws and regulations that impose certain disclosure requirements and that govern the manner in which the Bank takes deposits, makes and collects loans, and provides other services. In recent years, examination and enforcement by federal and state banking agencies for non-compliance with consumer protection laws and regulations have increased and become more intense. Failure to comply with these laws and regulations may subject the Bank to various penalties, including but not limited to enforcement actions, injunctions, fines, civil monetary penalties, criminal penalties, punitive damages, and the loss of certain contractual rights. The Bank has established a comprehensive compliance system to ensure consumer protection.

Community Reinvestment. The Community Reinvestment Act of 1977 (“CRA”) requires that, in connection with examinations of financial institutions within their jurisdictions, federal bank regulators evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. A bank’s community reinvestment record is also considered by the applicable banking agencies in evaluating mergers, acquisitions, and applications to open a branch or facility. In some cases, a bank's failure to comply with the CRA, or CRA protests filed by interested parties during applicable comment periods, can result in the denial or delay of such transactions. The Bank received a “satisfactory” rating in its most recent CRA examination.

Insider Credit Transactions. Banks are subject to certain restrictions on extensions of credit to executive officers, directors, principal shareholders, and their related interests. These extensions of credit 1) must be made on substantially the same terms (including interest rates and collateral) and follow credit underwriting procedures that are at least as stringent as those prevailing at the time for comparable transactions with persons not related to the lending bank; and 2) must not involve more than the normal risk of repayment or present other unfavorable features. Banks are also subject to certain lending limits and restrictions on overdrafts to insiders. A violation of these restrictions may result in the assessment of substantial civil monetary penalties, regulatory enforcement actions, and other regulatory sanctions. The Dodd-Frank Act and federal regulations place additional restrictions on loans to insiders and generally prohibit loans to senior officers other than for certain specified purposes.

Regulation of Management. Federal law 1) sets forth circumstances under which officers or directors of a bank may be removed by the bank's federal supervisory agency; 2) as discussed above, places restraints on lending by a bank to its executive officers, directors, principal shareholders, and their related interests; and 3) generally prohibits management personnel of a bank from serving as directors or in other management positions of another financial institution whose assets exceed a specified amount or which has an office within a specified geographic area.

Safety and Soundness Standards. Certain non-capital safety and soundness standards are also imposed upon banks. These standards cover, among other things, internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings, and stock valuation. In addition, each insured depository institution must implement a comprehensive written information security program that includes administrative, technical, and physical safeguards appropriate to the institution’s size and complexity and the nature and scope of its activities. The information security program must be designed to ensure the security and confidentiality of customer information, protect against unauthorized access to or use of such information, and ensure the proper disposal of customer and consumer information. An institution that fails to meet these standards may be required to submit a compliance plan, or be subject to regulatory sanctions, including restrictions on growth. The Bank has established comprehensive policies and risk management procedures to ensure the safety and soundness of the Bank.

Interstate Banking and Branching

The Dodd-Frank Act eliminated interstate branching restrictions that were implemented as part of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Interstate Act"), and removed many restrictions on de novo interstate branching by state and federally chartered banks. Federal regulators have authority to approve applications by such banks to establish de novo branches in states other than the bank's home state if the host state's banks could establish a branch at the same location. The Interstate Act requires regulators to consult with community organizations before permitting an interstate institution to close a branch in a low-income area. Federal bank regulations prohibit banks from using their interstate branches primarily for deposit production and federal bank regulatory agencies have implemented a loan-to-deposit ratio screen to ensure compliance with this prohibition.

Dividends

A principal source of the Company’s cash is from dividends received from the Bank, which are subject to regulation and limitation. As a general rule, regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. For example, regulators have stated that paying dividends that deplete an institution's capital base to an inadequate level would be an unsafe and unsound banking practice and that an institution should generally pay dividends only out of current operating earnings. In addition, a bank may not pay cash dividends if that payment could reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. Current guidance from the Federal Reserve provides, among other things, that dividends per share on the Company’s common stock generally should not exceed earnings per share, measured over the previous four fiscal quarters. In certain circumstances, Montana law also places limits or restrictions on a bank’s ability to declare and pay dividends.

Rules adopted in accordance with the third installment of the Basel Accords (“Basel III”) also impose limitations on the Bank's ability to pay dividends. In general, these rules limit the Bank's ability to pay dividends unless the Bank's common equity conservation buffer exceeds the minimum required capital ratio by at least 2.5 percent of risk-weighted assets.

The Federal Reserve has also issued a policy statement on the payment of cash dividends by bank holding companies. In general, the policy statement expresses the view that although no specific regulations restrict dividend payments by bank holding companies other than state corporate laws, a bank holding company should not pay cash dividends unless the bank holding company’s earnings for the past year are sufficient to cover both the cash dividends and a prospective rate of earnings retention that is consistent with the bank holding company’s capital needs, asset quality, and overall financial condition. A bank holding company's ability to pay dividends may also be restricted if a subsidiary bank becomes under-capitalized. These various regulatory policies may affect our ability to pay dividends or otherwise engage in capital distributions.

The Dodd-Frank Act

General. The Dodd-Frank Act was signed into law in July 2010. The Dodd-Frank Act significantly changed the bank regulatory structure and is affecting the lending, deposit, investment, trading, and operating activities of banks and bank holding companies. Some of the provisions of the Dodd-Frank Act that may impact our business and operations are summarized below.

Corporate Governance. The Dodd-Frank Act requires publicly traded companies to provide their shareholders with 1) a non-binding shareholder vote on executive compensation; 2) a non-binding shareholder vote on the frequency of such vote; 3) disclosure of “golden parachute” arrangements in connection with specified change in control transactions; and 4) a non-binding shareholder vote on golden parachute arrangements in connection with these change in control transactions. In August 2015, the SEC adopted a rule mandated by the Dodd-Frank Act that requires a public company to disclose the ratio of the compensation of its Chief Executive Officer (“CEO”) to the median compensation of its employees. This rule is intended to provide shareholders with information that they can use to evaluate a CEO’s compensation.

Prohibition Against Charter Conversions of Financial Institutions. The Dodd-Frank Act generally prohibits a depository institution from converting from a state to federal charter, or vice versa, while it is the subject to an enforcement action unless the depository institution seeks prior approval from its primary regulator and complies with specified procedures to ensure compliance with the enforcement action.

Repeal of Demand Deposit Interest Prohibition. The Dodd-Frank Act repeals the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

Consumer Financial Protection Bureau. The Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB") and empowered it to exercise broad rulemaking, supervision, and enforcement authority for a wide range of consumer protection laws. Because our total consolidated assets exceed $10 billion, we are subject to the direct supervision of the CFPB. The CFPB has issued and continues to issue numerous regulations under which we will continue to incur additional expense in connection with our ongoing compliance obligations. Significant recent CFPB developments that may affect operations and compliance costs include:

- positions taken by the CFPB on fair lending, including applying the disparate impact theory which could make it more difficult for lenders to charge different rates or to apply different terms to loans to different customers;
- the CFPB's final rule amending Regulation C, which implements the Home Mortgage Disclosure Act, requiring most lenders to report expanded information in order for the CFPB to more effectively monitor fair lending concerns and other information shortcomings identified by the CFPB;
- positions taken by the CFPB regarding the Electronic Fund Transfer Act and Regulation E, which require companies to obtain consumer authorizations before automatically debiting a consumer's account for pre-authorized electronic funds transfers; and
- focused efforts on enforcing certain compliance obligations the CFPB deems a priority, such as automobile loan servicing, debt collection, mortgage origination and servicing, remittances, and fair lending, among others.

Interchange Fees. Under the Durbin Amendment to the Dodd-Frank Act, the Federal Reserve adopted rules establishing standards for assessing whether the interchange fees that may be charged with respect to certain electronic transactions are "reasonable and proportional" to the costs incurred by issuers for processing such transactions. Notably, the Federal Reserve's rules set a maximum permissible interchange fee, among other requirements. Because our total consolidated assets exceeded $10 billion during the first quarter of 2018, we became subject to the interchange fee cap beginning July 1, 2019 on a go-forward basis. The interchange fee cap is estimated to reduce our interchange fee income by an estimated $20 million (pre-tax) on an annual basis.

Stress Testing

In May 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRC Act") was signed into law, which is bipartisan legislation that rolled back certain provisions of the Dodd-Frank Act to provide regulatory relief to certain financial institutions. In relevant part, the EGRRC Act raised the applicability threshold for company-run stress testing required under the Dodd-Frank Act by exempting bank holding companies under $100 billion in total assets and raising the asset threshold for covered banks from $10 billion to $250 billion. In November of 2019, the FDIC adopted a final rule to implement these changes. As a result, we are not currently subject to the Dodd-Frank Act stress testing requirements.

Capital Adequacy

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal regulatory agencies, which involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory guidelines. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting, and other factors. The capital requirements are intended to ensure that institutions have adequate capital given the risk levels of assets and off-balance sheet financial instruments and are applied separately to the Company and the Bank.

Federal regulations require insured depository institutions and bank holding companies to meet several minimum capital standards, including: 1) a common equity Tier 1 capital to risk-based assets ratio of 4.5 percent; 2) a Tier 1 capital to risk-based assets ratio of 6 percent; 3) a total capital to risk-based assets ratio of 8 percent; and 4) a 4 percent Tier 1 capital to total assets leverage ratio. These minimum capital requirements became effective in January 2015 and were the result of final rules implementing certain regulatory amendments based on the recommendation of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act ("Final Rules").

The Final Rules also require a capital conservation buffer designed to absorb losses during periods of economic stress. Failure to comply with this buffer requirement may result in constraints on capital distributions (*e.g.*, dividends, equity repurchases, and certain bonus compensation for executive officers). The Final Rules change the risk-weights of certain assets for purposes of the risk-based capital ratios and phase out certain instruments as qualifying capital. For additional information regarding trust preferred securities and their impact to regulatory capital, see Note 9 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The Final Rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on an insured depository institution if its capital levels begin to show signs of weakness. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements to qualify as "well capitalized": 1) a Tier 1 common equity capital ratio of at least 6.5 percent; 2) a Tier 1 capital ratio of at least 8 percent; 3) a total capital ratio of at least 10 percent; 4) a Tier 1 leverage ratio of at least 5 percent; and 5) not be subject to any order or written directive requiring a specific capital level. The FDIC's rules (as amended by the Final Rules) contain other capital classification categories, such as "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," each of which are based on certain capital ratios. An institution may be downgraded to a category lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition, or if the institution receives an unsatisfactory examination rating.

The application of the Final Rules may result in lower returns on invested capital, require the raising of additional capital or require regulatory action if the Bank were unable to comply with such requirements. In addition, management may be required to modify its business strategy due to the changes to the asset risk-weights for risk-based capital calculations and the requirement to meet the capital conservation buffers. The imposition of liquidity requirements in connection with these rules could also cause the Bank to increase its holdings of liquid assets, change its business strategy, and make other changes to the terms of its funding.

Regulatory Oversight and Examination

Inspections. The Federal Reserve conducts periodic inspections of bank holding companies. In general, the objectives of the Federal Reserve's inspection program are to ascertain whether the financial strength of a bank holding company is maintained on an ongoing basis and to determine the effects or consequences of transactions between a bank holding company or its non-banking subsidiaries and its bank subsidiaries. The inspection type and frequency typically varies depending on asset size, complexity of the organization, and the bank holding company's rating at its last inspection.

Examinations. Banks are subject to periodic examinations by their primary regulators. In assessing a bank's condition, bank examinations have evolved from reliance on transaction testing to a risk-focused approach. These examinations are extensive and cover the entire breadth of the operations of a bank. Generally, safety and soundness examinations occur on an 18-month cycle for banks under $3 billion in total assets that are well capitalized and without regulatory issues, and 12-months otherwise. Examinations alternate between the federal and state bank regulatory agencies, and in some cases they may occur on a combined schedule. The frequency of consumer compliance and CRA examinations is linked to the size of the institution and its compliance and CRA ratings at its most recent examinations. However, the examination authority of the Federal Reserve and the FDIC allows them to examine supervised institutions as frequently as deemed necessary based on the condition of the institution or as a result of certain triggering events. Because our total consolidated assets exceed $10 billion, we are also subject to the direct supervision of the CFPB.

Commercial Real Estate Ratios. The federal banking regulators recently issued guidance reminding financial institutions to reexamine the existing regulations regarding concentrations in commercial real estate lending. The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The banking regulators are directed to examine each bank's exposure to commercial real estate loans that are dependent on cash flow from the real estate held as collateral and to focus their supervisory resources on institutions that may have significant commercial real estate loan concentration risk. The guidance provides that the strength of an institution's lending and risk management practices with respect to such concentrations will be taken into account in evaluating capital adequacy and does not specifically limit a bank's commercial real estate lending to a specified concentration level.

Corporate Governance and Accounting

The Sarbanes-Oxley Act of 2002 ("SOX Act") addresses, among other things, corporate governance, auditing and accounting, enhanced and timely disclosure of corporate information, and penalties for non-compliance. In general, the SOX Act 1) requires chief executive officers and chief financial officers to certify to the compliance of periodic reports filed with the SEC; 2) imposes specific and enhanced corporate disclosure requirements; 3) accelerates the time frame for reporting insider transactions and periodic disclosures by public companies; 4) requires companies to adopt and disclose information about corporate governance practices, including whether or not they have adopted a code of ethics for senior financial officers and whether the audit committee includes at least one "audit committee financial expert"; and 5) requires the SEC, based on certain enumerated factors, to regularly and systematically review corporate filings. As a publicly reporting company, the Company is subject to the requirements of the SOX Act and related rules and regulations issued by the SEC and NASDAQ.

Anti-Money Laundering and Anti-Terrorism

The Bank Secrecy Act ("BSA") requires all financial institutions to establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. The BSA also sets forth various recordkeeping and reporting requirements (such as reporting suspicious activities that might signal criminal activity) and certain due diligence and "know your customer" documentation requirements.

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("Patriot Act"), intended to combat terrorism, was renewed with certain amendments in 2006. In relevant part, the Patriot Act 1) prohibits banks from providing correspondent accounts directly to foreign shell banks; 2) imposes due diligence requirements on banks opening or holding accounts for foreign financial institutions or wealthy foreign individuals; 3) requires financial institutions to establish an anti-money laundering compliance program; and 4) eliminates civil liability for persons who file suspicious activity reports. The Patriot Act also includes provisions providing the government with power to investigate terrorism, including expanded government access to bank account records. Regulators are directed to consider a bank holding company's and a bank's effectiveness in combating money laundering when reviewing and ruling on applications under the BHCA and the Bank Merger Act. We have established comprehensive compliance programs designed to comply with the requirements of the BSA and Patriot Act.

Financial Services Modernization

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 ("GLBA") brought about significant changes to the laws affecting banks and bank holding companies. Generally, the GLBA 1) repeals historical restrictions on preventing banks from affiliating with securities firms; 2) provides a uniform framework for the activities of banks, savings institutions, and their holding companies; 3) broadens the activities that may be conducted by national banks and banking subsidiaries of bank holding companies; 4) provides an enhanced framework for protecting the privacy of consumer information and requires notification to consumers of bank privacy policies; and 5) addresses a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions. The Bank is subject to FDIC regulations implementing the privacy provisions of the GLBA. These regulations require a bank to disclose its privacy policy, including informing consumers of the bank's information sharing practices and their right to opt out of certain practices.

Deposit Insurance

FDIC Insured Deposits. The Bank's deposits are insured under the Federal Deposit Insurance Act, up to the maximum applicable limits and are subject to deposit insurance assessments by the FDIC, which are designed to tie what banks pay for deposit insurance to the risks they pose. The Dodd-Frank Act redefined the assessment base used for calculating deposit insurance assessments by requiring the FDIC to determine assessments based on assets instead of deposits. Assessments are now based on the average consolidated total assets less average tangible equity capital of a financial institution. Under the FDIC's assessment system for determining payments to the DIF, insured depository institutions with more than $10 billion in assets are assessed under a "scorecard" methodology that seeks to capture both the probability that such an institution will fail and the magnitude of the impact on the DIF if such a failure occurs. In addition, the Dodd-Frank Act 1) raised the minimum designated reserve ratio (the FDIC is required to set the reserve ratio each year) of the DIF from 1.15 percent to 1.35 percent; 2) required that the DIF reserve ratio meet 1.35 percent by 2020; and 3) eliminated the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. The Dodd-Frank Act made banks with $10 billion or more in total assets responsible for the increase from 1.15 percent to 1.35 percent by imposing a surcharge on those institutions. The surcharge continued through September of 2018 when the DIF reserve ratio reached 1.36 percent, which was ahead of the Dodd-Frank Act's 2020 deadline to meet the 1.35 percent reserve ratio. As a result, certain institutions, such as the Bank, are entitled to receive credits for the portions of their assessments that contributed to growth in the reserve ratio between 1.15 percent and 1.35 percent. For instance, the Bank received a $2.5 million credit during 2019. No institution may pay a dividend if it is in default on its federal deposit insurance assessment. The FDIC may also prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious risk to the DIF.

Safety and Soundness. The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order, or any condition imposed by an agreement with the FDIC. Management is not aware of any existing circumstances that would result in termination of the Bank's deposit insurance.

Insurance of Deposit Accounts. The Dodd-Frank Act permanently increased FDIC deposit insurance from $100,000 to $250,000 per depositor. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

Recent and Proposed Legislation
The economic and political environment of the past several years has led to a number of proposed legislative, governmental, and regulatory initiatives that may significantly impact the banking industry. Other regulatory initiatives by federal and state agencies may also significantly impact our business. We cannot predict whether these or any other proposals will be enacted or the ultimate impact of any such initiatives on our operations, competitive situation, financial conditions, or results of operations. While recent history has demonstrated that new legislation or changes to existing laws or regulations typically result in a greater compliance burden (and therefore increase the general costs of doing business), the current administration has expressed an attempt to reduce these regulatory burdens.

Effects of Federal Government Monetary Policy
The Company's earnings and growth are affected not only by general economic conditions, but also by the fiscal and monetary policies of the federal government, particularly the Federal Reserve. The Federal Reserve implements national monetary policy to promote maximum employment, stable prices, and moderate long-term interest rates. Through its open market operations in U.S. government securities, control of the discount rate applicable to borrowings, establishment of reserve requirements against certain deposits, and control of the interest rate applicable to excess reserve balances and reverse repurchase agreements, the Federal Reserve influences the availability and cost of money and credit and, ultimately, a range of economic variables including employment, output, and the prices of goods and services. The nature and impact of future changes in monetary policies and their impact on us cannot be predicted with certainty.

Heightened Requirements for Large Bank Holding Companies and Banks
As mentioned above, the Dodd-Frank Act imposed heightened requirements on large bank holding companies and banks, and the EGRRC Act has rolled back certain provisions of the Dodd-Frank Act. In particular, the EGRRC Act increased the asset threshold for certain rules that previously applied to bank holding companies and banks with at least $10 billion in total consolidated assets. As a result of the EGRRC Act and follow-up rules, we are not currently subject to several of those heightened requirements (e.g., stress testing and a dedicated risk committee), but we will remain subject to other requirements of the Dodd-Frank Act left unaffected by the EGRRC Act, such as the requirement that we be examined, primarily by the CFPB, for compliance with federal consumer protection laws. We have established a comprehensive compliance system to ensure compliance with these rules.

Item 1A. Risk Factors

The following is a discussion of what we believe are the most significant risks and uncertainties that may affect our business, financial condition and future results of operations. These risks are not the only ones that we face. Other risks and uncertainties not currently known to us or currently believed to be material may harm our future business, financial condition, results of operations and prospects.

Economic conditions in the market areas the Bank serves may adversely impact its earnings and could increase the credit risk associated with its loan portfolio and the value of its investment portfolio.
Substantially all of the Bank's loans are to businesses and individuals in Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada, and a softening of the economies in these market areas could have a material adverse effect on its business, financial condition, results of operations and prospects. Any future deterioration in economic conditions in the markets the Bank serves could result in the following consequences, any of which could have an adverse impact, which could be material, on our business, financial condition, results of operations and prospects:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- collateral for loans made may decline in value, in turn reducing customers' borrowing power;
- certain securities within the investment portfolio could become other-than-temporarily impaired, requiring a write-down through earnings to fair value, thereby reducing equity;
- low cost or non-interest bearing deposits may decrease; and
- demand for loan and other products and services may decrease.

National and global economic and geopolitical conditions could adversely affect our future results of operations or market price of our stock.
Our business is impacted by factors such as economic, political and market conditions, broad trends in industry and finance, changes in government monetary and fiscal policies, inflation, and financial market volatility, all of which are beyond our control. National and global economies are constantly in flux, as evidenced by recent market volatility resulting from, among other things, global trade disputes and the associated imposition of tariffs in certain cases, the uncertain future relationship of the United Kingdom with the European Union (e.g., Brexit), and the ever-changing landscape of the energy and medical industries. Future economic conditions cannot be predicted, and any renewed deterioration in the economies of the nation as a whole or in our markets could have an adverse effect, which could be material, on its business, financial condition, results of operations and prospects, and could cause the market price of our stock to decline.

We are subject to heightened regulatory requirements related to our having exceeded $10 billion in assets.
We exceeded total consolidated assets of $10 billion during the first quarter of 2018. The Dodd-Frank Act and its implementing regulations impose additional requirements on bank holding companies with $10 billion or more in total assets, including compliance with specific sections of the Federal Reserve's prudential oversight requirements. The Durbin Amendment, which was passed as part of the Dodd-Frank Act, instructed the Federal Reserve to establish rules limiting the amount of interchange fees that can be charged to merchants for debit card processing. The Federal Reserve's Final ules contained several key pieces, including in relevant part an interchange fee cap, certain fraud prevention adjustments, and, most notably, an exemption from the interchange fee cap for small issuers. Issuers with less than $10 billion in total assets (as of the end of the previous calendar year) are exempt from the Federal Reserve's interchange fee cap. As our total assets exceeded $10 billion, the interchange fee cap of the Durbin Amendment negatively affected the interchange income the Bank receives from electronic payment transactions. The interchange fee cap became effective to us commencing in July of 2019.

In addition, banks with $10 billion or more in total assets are primarily examined by the CFPB with respect to compliance with various federal consumer financial protection laws and regulations. As a fairly new agency with evolving regulations and practices, it is uncertain as to how the CFPB's examinations and regulatory authority may impact our business.

A failure in or breach of the Bank’s operational or security systems, or those of the Bank’s third party service providers, including as a result of cyber attacks, could disrupt business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase costs and cause losses.
In the normal course of its business, the Bank collects, processes and retains sensitive and confidential customer information. Despite the security measures we have in place, our facilities may be vulnerable to cyber-attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, and other similar events.

Information security risks for financial institutions such as the Bank have increased recently in part because of new technologies, the use of the Internet and telecommunications technologies, including mobile devises, to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber attacks or other security breaches involving the theft of sensitive and confidential information, hackers have engaged in attacks against financial institutions designed to disrupt key business services such as customer-facing web sites. We are not able to anticipate or implement effective preventative measures against all security breaches of these types. Although the Bank employs detection and response mechanisms designed to contain and mitigate security incidents, early detection may be thwarted by sophisticated attacks and malware designed to avoid detection, which continue to evolve.

Additionally, the Bank faces the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate its business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, the Bank’s operational systems.

Any failures, interruptions or security breaches in the Bank’s information systems could damage its reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose us to civil litigation, regulatory fines or losses not covered by insurance.

The allowance for loan and lease losses may not be adequate to cover actual loan losses, which could adversely affect earnings. The Bank maintains an allowance for loan and lease losses ("ALLL" or "allowance") in an amount that it believes is adequate to provide for losses in the loan portfolio. While the Bank strives to carefully manage and monitor credit quality and to identify loans that may become non-performing, at any time there are loans included in the portfolio that will result in losses, but that have not been identified as non-performing or potential problem loans. With respect to real estate loans and property taken in satisfaction of such loans ("other real estate owned" or "OREO"), the Bank can be required to recognize significant declines in the value of the underlying real estate collateral quite suddenly as values are updated through appraisals and evaluations (new or updated) performed in the normal course of monitoring the credit quality of the loans. There are many factors that can cause the value of real estate to decline, including declines in the general real estate market, changes in methodology applied by appraisers, and/or using a different appraiser than was used for the prior appraisal or evaluation. The Bank's ability to recover on real estate loans by selling or disposing of the underlying real estate collateral is adversely impacted by declining values, which increases the likelihood the Bank will suffer losses on defaulted loans beyond the amounts provided for in the ALLL. This, in turn, could require material increases in the Bank's provision for loan losses and ALLL. By closely monitoring credit quality, the Bank attempts to identify deteriorating loans before they become non-performing assets and adjust the ALLL accordingly. However, because future events are uncertain, and if difficult economic conditions occur, there may be loans that deteriorate to a non-performing status in an accelerated time frame. As a result, future additions to the ALLL may be necessary beyond the levels commensurate with any loan growth. Because the loan portfolio contains a number of loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in non-performing loans, requiring an increase to the ALLL. Additionally, future significant additions to the ALLL may be required based on changes in the mix of loans comprising the portfolio, changes in the financial condition of borrowers, which may result from changes in economic conditions, or changes in the assumptions used in determining the ALLL. Additionally, federal and state banking regulators, as an integral part of their supervisory function, periodically review the Bank's loan portfolio and the adequacy of the ALLL. These regulatory authorities may require the Bank to recognize further loan loss provisions or charge-offs based upon their judgments, which may be different from the Bank's judgments. Any increase in the ALLL could have an adverse effect, which could be material, on our financial condition and results of operations.

Additionally, the changes in accounting standards described below under "Changes in accounting standards could materially impact our financial statements" will change the current historical method of providing allowances for credit losses that are probable, and may require the Bank to increase the amount of the ALLL.

The Bank has a high concentration of loans secured by real estate, so any future deterioration in the real estate markets could require material increases in the ALLL and adversely affect our financial condition and results of operations.
The Bank has a high degree of concentration in loans secured by real estate. Any future deterioration in the real estate markets could adversely impact borrowers' ability to repay loans secured by real estate and the value of real estate collateral, thereby increasing the credit risk associated with the loan portfolio. The Bank's ability to recover on these loans by selling or disposing of the underlying real estate collateral would be adversely impacted by any decline in real estate values, which increases the likelihood that the Bank will suffer losses on defaulted loans secured by real estate beyond the amounts provided for in the ALLL. This, in turn, could require material increases in the ALLL which would adversely affect our financial condition and results of operations.

Non-performing assets could increase, which could adversely affect our results of operations and financial condition.
The Bank may experience increases in non-performing assets in the future. Non-performing assets (which include OREO) adversely affect our financial condition and results of operations in various ways. The Bank does not record interest income on non-accrual loans or OREO, thereby adversely affecting its earnings. When the Bank takes collateral in foreclosures and similar proceedings, it is required to mark the related asset to the then fair value of the collateral, less estimated cost to sell, which may result in a charge-off of the value of the asset and lead the Bank to increase the provision for loan losses. An increase in the level of non-performing assets also increases the Bank's risk profile and may impact the capital levels its regulators believe are appropriate in light of such risks. Further decreases in the value of these assets, or the underlying collateral, or in these borrowers' performance or financial condition, whether or not due to economic and market conditions beyond the Bank's control, could adversely affect our business, results of operations and financial condition, perhaps materially. In addition to the carrying costs to maintain OREO, the resolution of non-performing assets increases the Bank's loan administration costs generally, and requires significant commitments of time from management and our directors, which reduces the time they have to focus on profitably growing our business.

The Bank's loan portfolio mix increases the exposure to credit risks tied to deteriorating conditions.
The loan portfolio contains a high percentage of commercial, commercial real estate, real estate acquisition and development loans in relation to the total loans and total assets. These types of loans have historically been viewed as having more risk of default than residential real estate loans or certain other types of loans or investments. In fact, the FDIC has issued pronouncements alerting banks of its concern about banks with a heavy concentration of commercial real estate loans. These types of loans also typically are larger than residential real estate loans and other commercial loans. Because the Bank's loan portfolio contains a significant number of commercial and commercial real estate loans with relatively large balances, the deterioration of one or more of these loans may cause a significant increase in non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for loan losses, or an increase in charge-offs, which could have a material adverse impact on our results of operations and financial condition.

Competition in the Bank's market areas may limit future success.
Commercial banking is a highly competitive business and a consolidating industry. The Bank competes with other commercial banks, credit unions, finance, insurance and other non-depository companies operating in its market areas. The Bank is subject to substantial competition for loans and deposits from other financial institutions. Some of its competitors are not subject to the same degree of regulation and restriction as the Bank. Some of the Bank's competitors have greater financial resources than the Bank. If the Bank is unable to effectively compete in its market areas, the Bank's business, our results of operations and prospects could be adversely affected.

Fluctuating interest rates can adversely affect profitability.
The Bank's profitability is dependent to a large extent upon net interest income, which is the difference (or "spread") between the interest earned on loans, investment securities and other interest earning assets and interest paid on deposits, borrowings, and other interest bearing liabilities. Because of the differences in maturities and repricing characteristics of interest earning assets and interest bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest earning assets and interest paid on interest bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect the Bank's interest rate spread, and, in turn, profitability. The Bank seeks to manage its interest rate risk within well established policies and guidelines. Generally, the Bank seeks an asset and liability structure that insulates net interest income from large deviations attributable to changes in market rates. However, the Bank's structures and practices to manage interest rate risk may not be effective in a highly volatile rate environment. Over the course of 2017 and 2018, the Federal Reserve increased the federal funds target range seven times, and in 2019 decreased the target range three times.

We may be impacted by the retirement of London Interbank Offered Rate ("LIBOR") as a reference rate.
In July 2017, the United Kingdom Financial Conduct Authority announced that LIBOR may no longer be published after 2021. LIBOR is used extensively in the U.S and globally as a "benchmark" or "reference rate" for various commercial and financial contracts. In response, the Alternative Reference Rates Committee ("ARRC"), made up of financial and capital market institutions, was convened to address the replacement of LIBOR in the U.S. The ARRC identified a potential successor to LIBOR in the Secured Overnight Financing Rate ("SOFR") and crafted a plan to facilitate the transition. However, there are significant conceptual and technical differences between LIBOR and SOFR. The Financial Stability Oversight Committee has stated that the end or waning use of LIBOR has the potential to significantly disrupt trading in many important types of financial contracts.

At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans, subordinated debentures or other securities or financial arrangements. The replacement of LIBOR with one or more alternative rates may impact the availability and cost of hedging instruments and borrowings, including the rates we pay on our subordinated debentures and derivative financial instruments. If LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under contracts or financial instruments to which we are a party, we may incur significant expenses in effecting the transition.

We may not be able to continue to grow organically or through acquisitions.
Historically, we have expanded through a combination of organic growth and acquisitions. If market and regulatory conditions change, we may be unable to grow organically or successfully complete or integrate potential future acquisitions at the same pace. We have historically used our strong stock currency and capital resources to complete acquisitions. Downturns in the stock market and the trading price of our stock could have an impact on future acquisitions. Furthermore, there can be no assurance that we can successfully complete such transactions, since they are subject to regulatory review and approval.

Growth through future acquisitions could, in some circumstances, adversely affect profitability or other performance measures.

During 2019 and in prior years, we have been active in acquisitions and may in the future engage in selected acquisitions of additional financial institutions. There are risks associated with any such acquisitions that could adversely affect profitability and other performance measures. These risks include, among other things, incorrectly assessing the asset quality of a financial institution being acquired, discovering compliance or regulatory issues after the acquisition, encountering greater than anticipated cost and use of management time associated with integrating acquired businesses into our operations, and being unable to profitably deploy funds acquired in an acquisition. We may not be able to continue to grow through acquisitions, and if we do, there is a risk of negative impacts of such acquisitions on our operating results and financial condition.

Acquisitions may also cause business disruptions that cause the Bank to lose customers or cause customers to remove their accounts from the Bank and move to competing financial institutions. Further, acquisitions may also disrupt the Bank's ongoing businesses or create inconsistencies in standards, controls, procedures, and policies that adversely affect relationships with employees, clients, customers, and depositors. The loss of key employees during acquisitions may also adversely affect our business.

We anticipate that we might issue capital stock in connection with future acquisitions. Acquisitions and related issuances of stock may have a dilutive effect on earnings per share, book value per share, or the percentage ownership of current shareholders. In acquisitions involving the use of cash as consideration, there will be an impact on our capital position.

Our business is heavily dependent on the services of members of the senior management team.

We believe our success to date has been substantially dependent on its executive management team. In addition, our unique model relies upon the Presidents of our separate Bank divisions, particularly in light of our decentralized management structure in which such Bank divisions have significant local decision-making authority. The unexpected loss of any of these persons could have an adverse effect on our business and future growth prospects.

Our future performance will depend on our ability to respond timely to technological change.

The financial services industry is experiencing rapid technological changes with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success will depend upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as create additional efficiencies in our operations. We may not be able to effectively implement new technology-driven products or services, or be successful in marketing these products and services. Additionally, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may cause services interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. There can be no assurance that we will be able to successfully manage the risks associated with increased dependency on technology.

A decline in the fair value of the Bank's investment portfolio could adversely affect earnings and capital.

The fair value of the Bank's debt securities could decline as a result of factors including changes in market interest rates, tax reform, credit quality and credit ratings, lack of market liquidity and other economic conditions. A debt security is impaired if the fair value of the security is less than the carrying value. When a security is impaired, the Bank determines whether the impairment is temporary or other-than-temporary. If an impairment is determined to be other-than-temporary, an impairment loss is recognized by reducing the amortized cost only for the credit loss associated with the other-than-temporary loss with a corresponding charge to earnings for a like amount. Any such impairment charge would have an adverse effect, which could be material, on our results of operations and financial condition, including its capital.

While we believe that the terms of our debt securities have been kept relatively short, we are subject to elevated interest rate risk exposure if rates were to increase sharply. Further, debt securities present a different type of asset quality risk than the loan portfolio. At December 31, 2019, the investment portfolio consisted of 92 percent available-for-sale and 8 percent held-to-maturity designated debt securities. While we believe a relatively conservative management approach has been applied to the investment portfolio, there is always potential loss exposure under changing economic conditions.

If goodwill recorded in connection with acquisitions becomes impaired, it could have an adverse impact on earnings and capital.
Accounting standards require us to account for acquisitions using the acquisition method of accounting. Under acquisition accounting, if the purchase price of an acquired company exceeds the fair value of its net assets, the excess is carried on the acquirer's balance sheet as goodwill. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), goodwill is not amortized but rather is evaluated for impairment on an annual basis or more frequently if events or circumstances indicate that a potential impairment exists. Our goodwill was not considered impaired as of December 31, 2019 and 2018; however, there can be no assurance that future evaluations of goodwill will not result in findings of impairment and write-downs, which could be material. Since we have $456 million in goodwill, representing 23 percent of our stockholders' equity, impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations. Furthermore, even though it is a non-cash item, significant impairment of goodwill could subject us to regulatory limitations, including the ability to pay dividends on our common stock.

There can be no assurance we will be able to continue paying dividends on our common stock at recent levels.
We may not be able to continue paying quarterly dividends commensurate with recent levels given that our ability to pay dividends on our common stock depends on a variety of factors. The payment of dividends is subject to government regulation in that regulatory authorities may prohibit banks and bank holding companies from paying dividends that would constitute an unsafe or unsound banking practice. This is heavily based on our earnings and capital levels which currently are strong. Current guidance from the Federal Reserve provides, among other things, that dividends per share should not exceed earnings per share measured over the previous four fiscal quarters. In certain circumstances, Montana law also places limits or restrictions on a bank's ability to declare and pay dividends. As a result, our future dividends will generally depend on the level of earnings at the Bank.

We operate in a highly regulated environment and changes or increases in, or supervisory enforcement of, banking or other laws and regulations or governmental fiscal or monetary policies could adversely affect us.
We are subject to extensive regulation, supervision and examination by federal and state banking regulators. In addition, as a publicly-traded company, we are subject to regulation by the SEC. Any change in applicable regulations or federal, state or local legislation or in policies or interpretations or regulatory approaches to compliance and enforcement, income tax laws and accounting principles could have a substantial impact on us and our operations. Changes in laws and regulations may also increase expenses by imposing additional fees or taxes or restrictions on operations. Additional legislation and regulations that could significantly affect powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on our financial condition and results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations.

Regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws or regulations by financial institutions and bank holding companies in the performance of their supervisory and enforcement duties. Existing and proposed federal and state laws and regulations restrict, limit and govern all aspects of our activities and may affect our ability to expand our business over time, may result in an increase in our compliance costs, and may affect our ability to attract and retain qualified executive officers and employees. The exercise of regulatory authority may have a negative impact on our financial condition and results of operations, including limiting the types of financial services and products we may offer or increasing the ability of non-banks to offer competing financial services and products. Additionally, our business is affected significantly by the fiscal and monetary policies of the federal government and its agencies, including the Federal Reserve.

We cannot accurately predict the full effects of recent legislation or the various other governmental, regulatory, monetary and fiscal initiatives which have been and may be enacted on the financial markets and on us. The terms and costs of these activities, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions could materially and adversely affect our business, financial condition, results of operations, and the trading price of our common stock.

Changes in accounting standards could materially impact our financial statements.
Periodically, the Financial Accounting Standards Board ("FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can materially impact how we record and report our financial condition and results of operations.

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU introduces a new impairment model based on current expected credit losses ("CECL") rather than incurred losses. The CECL model will apply to most financial assets measured at amortized cost, including loans receivable, loan commitments and held-to-maturity debt securities.

Under the CECL model, we will recognize an impairment allowance equal to our current estimate of expected credit losses for financial instruments as of the end of the reporting period. Measuring expected credit losses will likely be a significant challenge for all entities, including us. Additionally, to estimate expected credit losses, we have incurred one-time and recurring costs, some of which are related to system changes and data collection.

Further, the impairment allowance measured under a CECL model could differ materially from the impairment allowance measured under our incurred loss model. To initially apply the CECL amendments, for most debt instruments, we would record a cumulative-effect adjustment to its statement of financial condition as of the beginning of the first reporting period in which the guidance is effective (a modified retrospective approach). The amendments in ASU 2016-13 are effective for us as of January 1, 2020, and are required to be adopted through a modified retrospective approach, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the ASU is effective.

The impact of certain provisions of the CECL model regarding loan portfolios of acquired financial institutions could result in earnings volatility, as any adjustments to the ALLL with respect to certain acquired loans are required to be made immediately subsequent to the acquisition.

The FDIC has adopted a final rule to increase the federal Deposit Insurance Fund, including additional future premium increases and special assessments.
On March 15, 2016, the FDIC adopted a final rule to increase insurance premiums and has imposed special assessments to rebuild and maintain the DIF, and any additional future premium increases or special assessments could have a material adverse effect on our business, financial condition, and results of operations.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. In addition, the Dodd-Frank Act established 1.35 percent as the minimum DIF reserve ratio. The FDIC has determined that the fund reserve ratio should be 2.0 percent (which is beyond what is required by law) and has adopted a plan under which it will meet the statutory minimum fund reserve ratio of 1.35 percent by the statutory deadline of September 30, 2020. The Dodd-Frank Act made banks with $10 billion or more in total assets responsible for the increase from 1.15 percent to 1.35 percent. The increase is effective for banks in the first quarter following four consecutive quarters of total consolidated assets exceeding $10 billion. Since the Bank exceeded the $10 billion asset threshold in the first quarter of 2018, the increase in deposit insurance assessments to be paid by the Bank was effective in the first quarter of 2019. Additionally, under the FDIC's assessment system for determining payments to the DIF, insured depository institutions with more than $10 billion in assets are assessed under a "scorecard" system.

Additional information regarding this matter is set forth under the section captioned "Deposit Insurance" within "Supervision and Regulation" in "Item 1. Business."

We have various anti-takeover measures that could impede a takeover.
Our articles of incorporation include certain provisions that could make it more difficult to acquire us by means of a tender offer, a proxy contest, merger or otherwise. These provisions include a requirement that any "Business Combination" (as defined in the articles of incorporation) be approved by at least 80 percent of the voting power of the then outstanding shares, unless it is either approved by our Board or certain price and procedural requirements are satisfied. In addition, the authorization of preferred stock, which is intended primarily as a financing tool and not as a defensive measure against takeovers, may potentially be used by management to make more difficult uninvited attempts to acquire control of us. These provisions may have the effect of lengthening the time required to acquire control of us through a tender offer, proxy contest or otherwise, and may deter any potentially unfriendly offers or other efforts to obtain control of us. This could deprive our shareholders of opportunities to realize a premium for their common stock in the Company, even in circumstances where such action is favored by a majority of our shareholders.

Our business is subject to the risks of earthquakes, floods, fires, and other natural catastrophes.
With Bank branches located in Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada, our business could be affected by a major natural catastrophe, such as a fire, flood, earthquake, or other natural disaster. The occurrence of any of these natural disasters may result in a prolonged interruption of our business, which could have a material adverse effect on our financial condition and operations.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following schedule provides information on the Company's 181 properties as of December 31, 2019:

(Dollars in thousands)	Properties Leased	Properties Owned	Net Book Value
Montana	7	64	$ 130,751
Idaho	7	22	36,092
Utah	1	9	12,409
Washington	3	11	6,065
Wyoming	2	15	17,625
Colorado	3	22	34,161
Arizona	6	2	4,708
Nevada	1	6	11,801
Total	30	151	$ 253,612

We believe that all of our facilities are well maintained, generally adequate and suitable for the current operations of our business, as well as fully utilized. In the normal course of business, new locations and facility upgrades occur as needed.

For additional information regarding the Company's premises and equipment and lease obligations, see Note 4 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Item 3. Legal Proceedings

The Company is involved in various claims, legal actions and complaints which arise in the ordinary course of business. In our opinion, all such matters are adequately covered by insurance, are without merit or are of such kind, or involve such amounts, that unfavorable disposition would not have a material adverse effect on our financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's stock trades on the NASDAQ Global Select Market under the symbol: GBCI. As of December 31, 2019, there were approximately 1,533 shareholders of record for the Company's common stock. The market range of high and low sales prices for the Company's common stock for the periods indicated are shown below:

	2019		2018	
	High	Low	High	Low
First quarter	$ 45.47	37.58	41.24	36.72
Second quarter	43.44	38.65	41.47	35.77
Third quarter	42.61	37.70	46.28	38.37
Fourth quarter	46.51	38.99	47.67	36.84

The following table summarizes the Company's dividends declared during the periods indicated:

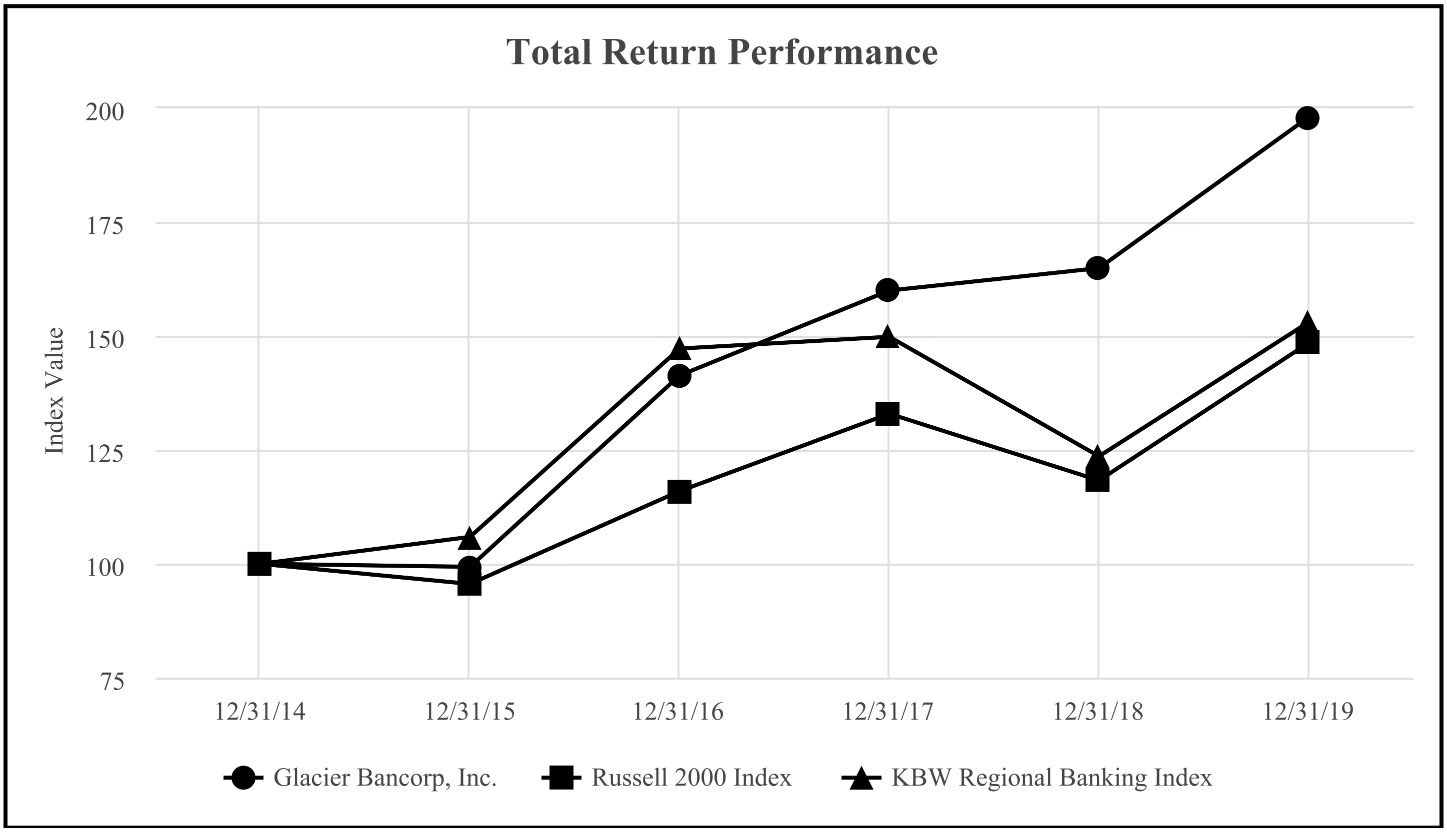
	Years ended	
	December 31, 2019	December 31, 2018
First quarter	$ 0.26	0.23
Second quarter	0.27	0.26
Third quarter	0.29	0.26
Fourth quarter	0.29	0.26
Special	0.20	0.30
Total	$ 1.31	1.31

Future cash dividends will depend on a variety of factors, including net income, capital, asset quality, general economic conditions and regulatory considerations. Information regarding the regulation considerations is set forth under the heading "Supervision and Regulation" in "Item 1. Business."

Issuer Stock Purchases
The Company made no stock repurchases during 2019.

Stock Performance Graph

The following graph compares the yearly cumulative total return of the Company's common stock over a five-year measurement period with the yearly cumulative total return on the stocks included in 1) the Russell 2000 Index; and 2) the KBW NASDAQ Regional Banking Index ("KBW Regional Banking Index"). Total return includes appreciation in market value of the stock as well as the actual cash and stock dividends paid to shareholders. The graph assumes that the value of the each investment was $100 on December 31, 2014 and that all dividends were reinvested.



	Period Ending					
	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
Glacier Bancorp, Inc.	100.00	99.34	141.34	159.97	164.89	198.02
Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
KBW Regional Banking Index	100.00	105.91	147.24	149.82	123.60	153.03

Item 6. Selected Financial Data

Non-GAAP Financial Measures

In addition to the results presented in accordance with GAAP, this Annual Report on Form 10-K contains certain non-GAAP financial measures. The Company believes that providing these non-GAAP financial measures provides investors with information useful in understanding and comparing the Company's financial performance, performance trends, and financial position. While the Company uses these non-GAAP measures in its analysis of the Company's performance, this information should not be considered an alternative to measurements required by GAAP. The following table provides a reconciliation of certain GAAP financial measures to non-GAAP financial measures.

		Year ended December 31, 2017		
(Dollars in thousands, except per share data)		GAAP	Tax Act Adjustment	Non-GAAP
Federal and state income tax expense	$	64,625	(19,699)	44,926
Net income	$	116,377	19,699	136,076
Basic earnings per share	$	1.50	0.25	1.75
Diluted earnings per share	$	1.50	0.25	1.75
Return on average assets		1.20%	0.21%	1.41%
Return on average equity		9.80%	1.66%	11.46%
Dividend payout ratio		76.00%	(10.86%)	65.14%
Effective income tax rate		35.70%	(10.88%)	24.82%

The reconciling item between the GAAP and non-GAAP financial measures was due to the one-time net tax expense of $19.7 million during the year ended December 31, 2017. The one-time net tax expense was driven by The Tax Cuts and Jobs Act ("Tax Act") and the change in the federal marginal corporate income tax rate from 35 percent to 21 percent for 2018 and future years, which resulted in the revaluation of its deferred tax assets and deferred tax liabilities ("net deferred tax asset"). The Company believes the financial results are more comparable excluding the impact of the revaluation of the net deferred tax asset.

Basic earnings per share is calculated by dividing net income by average outstanding shares and diluted earnings per share is calculated by dividing net income by diluted average outstanding shares. The one-time net tax expense of $19.7 million was included in determining income for both the GAAP basic earnings per share and the GAAP diluted earnings per share. Conversely, the one-time net tax expense of $19.7 million was excluded in determining income for both the non-GAAP basic earnings per share and the non-GAAP diluted earnings per share. Average outstanding shares of 77,537,664 was used in the GAAP and non-GAAP basic earnings per share for the year ended December 31, 2017. Diluted average outstanding shares of 77,607,605 was used in the GAAP and non-GAAP diluted earnings per share for the year ended December 31, 2017.

The return on average assets ratio is calculated by dividing net income by average assets and the return on average equity ratio is calculated by dividing net income by average equity. The one-time net tax expense of $19.7 million was included in determining income for both the GAAP return on average assets and the GAAP return on average equity. Conversely, the one-time net tax expense of $19.7 million was excluded in determining income for both the non-GAAP return on average assets and the non-GAAP return on average equity. Average assets of $9.678 billion was used in the GAAP and non-GAAP return on average assets ratios for the year ended December 31, 2017. Average equity of $1.188 billion was used in the GAAP and non-GAAP return on average equity ratios for the year ended December 31, 2017.

The dividend payout ratio is calculated by dividing dividends declared per share by basic earnings per share. The non-GAAP dividend payout ratio uses the non-GAAP basic earnings per share for calculating the ratio.

The effective income tax rate is calculated by dividing federal and state income tax expense by income before income taxes. The non-GAAP effective income tax rate uses the non-GAAP federal and state income tax expense of $44.9 million for calculating the rate.

Selected Financial Data

The following financial data of the Company is derived from the Company's historical audited financial statements and related notes. The information set forth below should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" contained elsewhere in this Annual Report on Form 10-K.

	December 31,					Compounded Annual Growth Rate	
(Dollars in thousands, except per share data)	2019	2018	2017	2016	2015	1-Year	5-Year
Selected Statements of Financial Condition Information							
Total assets	$13,683,999	$12,115,484	$ 9,706,349	$ 9,450,600	$ 9,089,232	12.9 %	8.5 %
Debt securities	2,799,863	2,869,578	2,426,556	3,101,151	3,312,832	(2.4)%	(3.3)%
Loans receivable, net	9,388,320	8,156,310	6,448,256	5,554,891	4,948,984	15.1 %	13.7 %
Allowance for loan and lease losses	(124,490)	(131,239)	(129,568)	(129,572)	(129,697)	(5.1)%	(0.8)%
Goodwill and intangibles	519,704	338,828	191,995	159,400	155,193	53.4 %	27.3 %
Deposits	10,776,457	9,493,767	7,579,747	7,372,279	6,945,008	13.5 %	9.2 %
Federal Home Loan Bank advances	38,611	440,175	353,995	251,749	394,131	(91.2)%	(37.2)%
Securities sold under agreements to repurchase and other borrowed funds	598,644	410,859	370,797	478,090	430,016	45.7 %	6.8 %
Stockholders' equity	1,960,733	1,515,854	1,199,057	1,116,869	1,076,650	29.3 %	12.7 %
Equity per share	21.25	17.93	15.37	14.59	14.15	18.5 %	8.5 %
Equity as a percentage of total assets	14.3 %	12.5 %	12.4 %	11.8 %	11.9 %	14.5 %	3.9 %

	Years ended December 31,					Compounded Annual Growth Rate	
(Dollars in thousands, except per share data)	2019	2018	2017	2016	2015	1-Year	5-Year
Summary Statements of Operations							
Interest income	$ 546,177	$ 468,996	$ 375,022	$ 344,153	$ 319,681	16.5 %	11.3 %
Interest expense	42,773	35,531	29,864	29,631	29,275	20.4 %	7.9 %
Net interest income	503,404	433,465	345,158	314,522	290,406	16.1 %	11.6 %
Provision for loan losses	57	9,953	10,824	2,333	2,284	(99.4)%	(52.2)%
Non-interest income	130,774	118,824	112,239	107,318	98,761	10.1 %	5.8 %
Non-interest expense	374,927	320,127	265,571	258,714	236,757	17.1 %	9.6 %
Income before income taxes	259,194	222,209	181,002	160,793	150,126	16.6 %	11.5 %
Federal and state income tax expense [1]	48,650	40,331	44,926	39,662	33,999	20.6 %	7.4 %
Net income [1]	$ 210,544	$ 181,878	$ 136,076	$ 121,131	$ 116,127	15.8 %	12.6 %
Basic earnings per share [1]	$ 2.39	$ 2.18	$ 1.75	$ 1.59	$ 1.54	9.6 %	9.2 %
Diluted earnings per share [1]	$ 2.38	$ 2.17	$ 1.75	$ 1.59	$ 1.54	9.7 %	9.1 %
Dividends declared per share	$ 1.31	$ 1.31	$ 1.14	$ 1.10	$ 1.05	— %	4.5 %

(Dollars in thousands)	At or for the Years ended December 31, 2019	2018	2017	2016	2015
Selected Ratios and Other Data					
Return on average assets [1]	1.64%	1.59%	1.41%	1.32%	1.36%
Return on average equity [1]	12.01%	12.56%	11.46%	10.79%	10.84%
Dividend payout ratio [1]	54.81%	60.09%	65.14%	69.18%	68.18%
Average equity to average asset ratio	13.69%	12.67%	12.27%	12.27%	12.52%
Total capital (to risk-weighted assets)	14.95%	14.70%	15.64%	16.38%	17.17%
Tier 1 capital (to risk-weighted assets)	13.76%	13.37%	14.39%	15.12%	15.91%
Common Equity Tier 1 (to risk-weighted assets)	12.58%	12.10%	12.81%	13.42%	14.06%
Tier 1 capital (to average assets)	11.65%	11.35%	11.90%	11.90%	12.01%
Net interest margin on average earning assets (tax-equivalent)	4.39%	4.21%	4.12%	4.02%	4.00%
Efficiency ratio [2]	57.78%	54.73%	53.94%	55.88%	55.40%
Allowance for loan and lease losses as a percent of loans	1.31%	1.58%	1.97%	2.28%	2.55%
Allowance for loan and lease losses as a percent of nonperforming loans	385%	266%	255%	257%	244%
Non-performing assets as a percentage of subsidiary assets	0.27%	0.47%	0.68%	0.76%	0.88%
Non-performing assets	$ 37,437	56,750	65,179	71,385	80,079
Loans originated and acquired	$ 4,607,536	4,301,678	3,629,493	3,474,000	3,000,830
Number of full time equivalent employees	2,826	2,623	2,278	2,222	2,149
Number of locations	181	167	145	142	144

[1] Excludes a one-time revaluation of the deferred tax assets and deferred tax liabilities as a result of the Tax Act for the year ended December 31, 2017. For additional information on the revaluation, see the "Non-GAAP Financial Measures" section.

[2] Non-interest expense before OREO expenses, core deposit intangibles amortization, goodwill impairment charges, and non-recurring expense items as a percentage of tax-equivalent net interest income and non-interest income, excluding gains or losses on sale of investments, OREO income, and non-recurring income items.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to provide a more comprehensive review of the Company's operating results and financial condition than can be obtained from reading the Consolidated Financial Statements alone. The discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in "Item 8. Financial Statements and Supplementary Data."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the Company's plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "should," "projects," "seeks," "estimates", or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results (express or implied) or other expectations in the forward-looking statements, including those set forth in this Annual Report on Form 10-K, or the documents incorporated by reference:

- the risks associated with lending and potential adverse changes of the credit quality of loans in the Company's portfolio;
- changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System or the Federal Reserve Board, which could adversely affect the Company's net interest income and profitability;
- changes in the cost and scope of insurance from the FDIC and other third parties;
- legislative or regulatory changes, including increased banking and consumer protection regulation that adversely affect the Company's business, both generally and as a result of the Company exceeding $10 billion in total consolidated assets;
- ability to complete pending or prospective future acquisitions;
- costs or difficulties related to the completion and integration of acquisitions;
- the goodwill the Company has recorded in connection with acquisitions could become impaired, which may have an adverse impact on earnings and capital;
- reduced demand for banking products and services;
- the reputation of banks and the financial services industry could deteriorate, which could adversely affect the Company's ability to obtain and maintain customers;
- competition among financial institutions in the Company's markets may increase significantly;
- the risks presented by continued public stock market volatility, which could adversely affect the market price of the Company's common stock and the ability to raise additional capital or grow the Company through acquisitions;
- the projected business and profitability of an expansion or the opening of a new branch could be lower than expected;
- consolidation in the financial services industry in the Company's markets resulting in the creation of larger financial institutions who may have greater resources could change the competitive landscape;
- dependence on the CEO, the senior management team and the Presidents of Glacier Bank divisions;
- material failure, potential interruption or breach in security of the Company's systems and technological changes which could expose us to new risks (e.g., cybersecurity), fraud or system failures;
- natural disasters, including fires, floods, earthquakes, and other unexpected events;
- the Company's success in managing risks involved in the foregoing; and
- the effects of any reputational damage to the Company resulting from any of the foregoing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in "Item 1A. Risk Factors." Please take into account that forward-looking statements speak only as of the date of this Annual Report on Form 10-K (or documents incorporated by reference, if applicable). Given the described uncertainties and risks, the Company cannot guarantee its future performance or results of operations and you should not place undue reliance on these forward-looking statements. The Company does not undertake any obligation to publicly correct, revise, or update any forward-looking statement if it later becomes aware that actual results are likely to differ materially from those expressed in such forward-looking statement, except as required under federal securities laws.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2019 COMPARED TO DECEMBER 31, 2018

Highlights and Overview

During 2019, the Company completed two bank acquisitions which increased the asset size of the Company by $1.357 billion, or 11 percent. During the second quarter of 2019, the Company completed the acquisition of FNB, a community bank based in Layton, Utah which provides banking services to individuals and business throughout Utah with six locations in Layton, Bountiful, Clearfield and Draper. Upon closing this transaction, FNB became First Community Bank Utah, the Company's first division in Utah and the fifteenth Bank division. During the fourth quarter of 2019, the Company combined its four existing Utah-based branches into FNB enhancing the Company's growth prospects in one of the fastest growing markets in the United States. During the third quarter of 2019, the Company completed the acquisition of Heritage, a community bank based in Reno, Nevada which provides banking services to individuals and businesses throughout Northern Nevada with seven locations in Carson City, Garnerville, Reno and Sparks. Upon closing, Heritage became the Company's sixteenth Bank division and was the Company's first entrance into the state of Nevada. In September of 2019, the Company announced the signing of a definitive agreement to acquire SBAZ, a community bank based in Lake Havasu City, Arizona. SBAZ provides banking services to individuals and business in Arizona with ten locations in Bullhead City, Cottonwood, Kingman, Lake Havasu City, Phoenix, Prescott Valley and Prescott. As of December 31, 2019, SBAZ had total assets of $678 million, gross loans of $439 million and total deposits of $587 million. Upon closing of this transaction, which is expected to occur in the first quarter of 2020, SBAZ will merge into the Company's Foothills Bank division and will expand the Company's footprint in Arizona to cover all major markets in the state and be a leading community bank in Arizona. See Notes 22 in the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" for additional information regarding these acquisitions.

The Company ended the year at $13.684 billion in assets, which was a 13 percent increase over the prior year and was driven primarily from current year acquisitions along with an increase of 2 percent in organic growth. Organic loan growth and core deposit growth for the year were both stable at 4 percent. The Company experienced another great year in non-interest bearing deposits which organically grew 10 percent for the current year and 9 percent in the prior year. Debt securities decreased 2 percent compared to the prior year and will continue to fluctuate to supplement liquidity needs. During the third quarter of 2019, the Company implemented a balance sheet strategy to increase its net interest income and net interest margin. The strategy included early termination of the Company's $260 million notional pay-fixed interest rate swaps and corresponding debt along with the sale of $308 million of debt securities. Tangible stockholders' equity increased $264 million, or $1.68 per share, as a result of earnings retention, an increase in other comprehensive income ("OCI") and Company stock issued in connection with the current year acquisitions, all of which offset the increases in goodwill and intangibles from the acquisitions. The Company increased its total regular quarterly dividends declared from $1.01 per share during 2018 to $1.11 per share in 2019.

The Company experienced another successful year in reducing its non-performing assets and ended the year at $37.4 million, or 0.27 percent of assets, which was a decrease of $19.3 million or, 34 percent, from the prior year end. In addition, early stage delinquencies (accruing 30-89 days past due) as a percentage of loans at December 31, 2019 was 0.24 percent compared to 0.41 percent at the prior year end. The allowance as a percentage of total loans as of December 31, 2019 was 1.31 percent, a decrease of 27 basis points ("bps") from 1.58 percent at December 31, 2018.

The Company had record net income for the year of $211 million, which was an increase of $28.7 million, or 16 percent, over the prior year net income of $182 million. Diluted earnings per share for the year was $2.38, an increase of $0.21 per share, or 10 percent, from the 2018 diluted earnings per share of $2.17. The improvement in net income for 2019 was due to the acquisitions, organic growth, the significant increase in commercial interest income, and controlled operating expenses. The Company's net interest margin for 2019 was 4.39 percent, an 18 basis points increase from the net interest margin of 4.21 percent from 2018. During the year the Company also benefited from a $2.5 million reduction in regulatory assessment as a result of Small Bank Assessment credits applied by the FDIC. On the other hand, as of July 1, 2019, the Company became subject to the Durbin Amendment to the Dodd-Frank Act, which established limits on the amount of interchange fees that can be charged to merchants for debit card processing and reduced the Company's service charge fees approximately $10 million in the second half of the current year. During 2020, the Company will be impacted by the Durbin Amendment for the entire year.

Looking forward, the Company's future performance will depend on many factors including economic conditions in the markets the Company serves, interest rate changes, increasing competition for deposits and loans, loan quality and growth, the impact and successful integration of acquisitions, and managing regulatory burden.

Financial Highlights

(Dollars in thousands, except per share and market data)	At or for the Years ended December 31, 2019	At or for the Years ended December 31, 2018
Operating results		
Net income	$ 210,544	181,878
Basic earnings per share	$ 2.39	2.18
Diluted earnings per share	$ 2.38	2.17
Dividends declared per share	$ 1.31	1.31
Market value per share		
Closing	$ 45.99	39.62
High	$ 46.51	47.67
Low	$ 37.58	35.77
Selected ratios and other data		
Number of common stock shares outstanding	92,289,750	84,521,692
Average outstanding shares - basic	88,255,290	83,603,515
Average outstanding shares - diluted	88,385,775	83,677,185
Return on average assets (annualized)	1.64%	1.59%
Return on average equity (annualized)	12.01%	12.56%
Efficiency ratio	57.78%	54.73%
Dividend payout ratio	54.81%	60.09%
Loan to deposit ratio	88.92%	87.64%
Number of full time equivalent employees	2,826	2,623
Number of locations	181	167
Number of ATMs	248	216

Recent Acquisitions
The Company completed the following acquisitions during the last two years:

- Heritage Bancorp and its wholly-owned subsidiary, Heritage Bank of Nevada
- FNB Bancorp and its wholly-owned subsidiary, The First National Bank of Layton
- Inter-Mountain Bancorp., Inc. and its wholly-owned subsidiary, First Security Bank
- Columbine Capital Corp., and its wholly-owned subsidiary, Collegiate Peaks Bank

The business combinations were accounted for using the acquisition method with the results of operations included in the Company's consolidated financial statements as of the acquisition dates. For additional information regarding acquisitions, see Note 22 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data." The following table discloses the fair value of selected classifications of assets and liabilities acquired:

(Dollars in thousands)	Heritage July 31, 2019	FNB April 30, 2019	FSB February 28, 2018	Collegiate January 31, 2018
Total assets	$ 977,944	$ 379,155	1,109,684	551,198
Debt securities	103,231	47,247	271,865	42,177
Loans receivable	615,279	245,485	627,767	354,252
Non-interest bearing deposits	296,393	93,647	301,468	170,022
Interest bearing deposits	425,827	180,999	576,118	267,149
Borrowings	—	7,273	36,880	12,509

Financial Condition Analysis

Assets

The following table summarizes the Company's assets as of the dates indicated:

(Dollars in thousands)	December 31, 2019	December 31, 2018	$ Change	% Change
Cash and cash equivalents	$ 330,961	$ 203,790	$ 127,171	62%
Debt securities, available-for-sale	2,575,252	2,571,663	3,589	—%
Debt securities, held-to-maturity	224,611	297,915	(73,304)	(25%)
Total debt securities	2,799,863	2,869,578	(69,715)	(2%)
Loans receivable				
Residential real estate	926,388	887,742	38,646	4%
Commercial real estate	5,579,307	4,657,561	921,746	20%
Other commercial	2,094,254	1,911,171	183,083	10%
Home equity	617,201	544,688	72,513	13%
Other consumer	295,660	286,387	9,273	3%
Loans receivable	9,512,810	8,287,549	1,225,261	15%
Allowance for loan and lease losses	(124,490)	(131,239)	6,749	(5%)
Loans receivable, net	9,388,320	8,156,310	1,232,010	15%
Other assets	1,164,855	885,806	279,049	32%
Total assets	$ 13,683,999	$ 12,115,484	$ 1,568,515	13%

Total debt securities of $2.800 billion at December 31, 2019 decreased $69.7 million, or 2 percent, from the prior year. Debt securities represented 20 percent of total assets at December 31, 2019 compared to 24 percent of total assets at December 31, 2018. The level of debt securities will continue to fluctuate as necessary to supplement liquidity needs of the Company.

Excluding the FNB and Heritage acquisitions, the loan portfolio increased $364 million, or 4 percent, since December 31, 2018, with the largest increase in commercial real estate loans, which increased $195 million, or 4 percent.

Liabilities

The following table summarizes the Company's liabilities as of the dates indicated:

(Dollars in thousands)	December 31, 2019	December 31, 2018	$ Change	% Change
Deposits				
Non-interest bearing deposits	$ 3,696,627	$ 3,001,178	$ 695,449	23%
NOW and DDA accounts	2,645,404	2,391,307	254,097	11%
Savings accounts	1,485,487	1,346,790	138,697	10%
Money market deposit accounts	1,937,141	1,684,284	252,857	15%
Certificate accounts	958,501	901,484	57,017	6%
Core deposits, total	10,723,160	9,325,043	1,398,117	15%
Wholesale deposits	53,297	168,724	(115,427)	(68%)
Deposits, total	10,776,457	9,493,767	1,282,690	14%
Securities sold under agreements to repurchase	569,824	396,151	173,673	44%
Federal Home Loan Bank advances	38,611	440,175	(401,564)	(91%)
Other borrowed funds	28,820	14,708	14,112	96%
Subordinated debentures	139,914	134,051	5,863	4%
Other liabilities	169,640	120,778	48,862	40%
Total liabilities	$ 11,723,266	$ 10,599,630	$ 1,123,636	11%

Excluding acquisitions, core deposits increased $401 million, or 4 percent, from prior year end with non-interest bearing deposits increasing $305 million, or 10 percent. Non-interest bearing deposits were 34 percent of total core deposits at current year end, an increase of 2 percent from 32 percent of total core deposits at the prior year end.

Wholesale deposits of $53.3 million at December 31, 2019 decreased $115 million from the prior year end. Federal Home Loan Bank ("FHLB") advances of $38.6 million at December 31, 2019 decreased $402 million from the prior year end. In September 2019, the Company implemented a balance sheet strategy to increase its net interest income and net interest margin. The balance sheet strategy included early termination of the Company's $260 million notional pay-fixed interest rate swaps and reduction of corresponding wholesale deposits and FHLB advances. Wholesale deposits and FHLB advances will continue to fluctuate as necessary for balance sheet growth and to supplement liquidity needs of the Company.

Stockholders' Equity

The following table summarizes the stockholders' equity balances as of the dates indicated:

(Dollars in thousands, except per share data)	December 31, 2019	December 31, 2018	$ Change	% Change
Common equity	$ 1,920,507	$ 1,525,281	$ 395,226	26%
Accumulated other comprehensive income (loss)	40,226	(9,427)	49,653	(527%)
Total stockholders' equity	1,960,733	1,515,854	444,879	29%
Goodwill and core deposit intangible, net	(519,704)	(338,828)	(180,876)	53%
Tangible stockholders' equity	$ 1,441,029	$ 1,177,026	$ 264,003	22%
Stockholders' equity to total assets	14.33 %	12.51 %		15%
Tangible stockholders' equity to total tangible assets	10.95 %	9.99 %		10%
Book value per common share	$ 21.25	$ 17.93	$ 3.32	19%
Tangible book value per common share	$ 15.61	$ 13.93	$ 1.68	12%

Tangible stockholders' equity increased $264 million, or 22 percent, over the prior year end which was primarily the result of earnings retention, an increase in OCI, and the result of $317 million of Company stock issued for current year acquisitions. Tangible book value per common share of $15.61 at December 31, 2019 increased $1.68 per share from the prior year end.

Results of Operations

In this section, the Company's results of operations are discussed for the year ended December 31, 2019 compared to the year ended December 31, 2018. For a discussion of the year ended December 31, 2018 compared to the year ended December 31, 2017, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report on Form 10-K for the year ended December 31, 2018.

Income Summary

The following table summarizes income for the periods indicated:

(Dollars in thousands)	Years ended December 31, 2019	Years ended December 31, 2018	$ Change	% Change
Net interest income				
Interest income	$ 546,177	$ 468,996	$ 77,181	16%
Interest expense	42,773	35,531	7,242	20%
Total net interest income	503,404	433,465	69,939	16%
Non-interest income				
Service charges and other fees	67,934	74,887	(6,953)	(9%)
Miscellaneous loan fees and charges	5,313	6,805	(1,492)	(22%)
Gain on sale of loans	34,064	27,134	6,930	26%
Gain (loss) on sale of investments	14,415	(1,113)	15,528	(1,395%)
Other income	9,048	11,111	(2,063)	(19%)
Total non-interest income	130,774	118,824	11,950	10%
Total income	$ 634,178	$ 552,289	$ 81,889	15%
Net interest margin (tax-equivalent)	4.39 %	4.21 %		

Net Interest Income

Net interest income of $503 million for 2019 increased $69.9 million, or 16 percent, from prior year and was primarily attributable to a $64.9 million increase in interest income from commercial loans. Interest expense of $42.8 million for 2019 increased $7.2 million, or 20 percent over the prior year as a result of an increase in the amount of deposits and interest rate increases on deposits. The total funding cost (including non-interest bearing deposits) for 2019 was 39 basis points compared to 36 basis points for 2018.

The net interest margin as a percentage of earning assets, on a tax-equivalent basis, for 2019 was 4.39 percent, an 18 basis points increase from the net interest margin of 4.21 percent for 2018. The increase in the margin was principally due to a shift in earning assets to higher yielding loans along with an increase in yields on the loan portfolio and an increase in non-accrual interest recoveries combined with relatively stable cost of funds and an increase low cost deposits. The current year included $4.4 million in non-accrual interest recoveries compared to $187 thousand in the prior year.

Non-interest Income

Non-interest income of $131 million for 2019 increased $12.0 million, or 10 percent, over the last year which was driven by the sale of debt securities from the balance sheet strategy implemented during the current year. Service charges and other fees of $67.9 million for 2019 decreased $7.0 million, or 9 percent, from the prior year. Excluding the impact from the Durbin Amendment, there was an increase in fees during the current year from the increased number of deposit accounts from organic growth and acquisitions. Gain on the sale of loans of $34.1 million for 2019, increased $6.9 million, or 26 percent, compared to the prior year as a result of increased purchase and refinance activity. Other income decreased $2.1 million from the prior year and was the result of a gain of $2.3 million on the sale of a former branch building in the prior year third quarter.

Non-interest Expense

The following table summarizes non-interest expense for the periods indicated:

(Dollars in thousands)	Years ended December 31, 2019	Years ended December 31, 2018	$ Change	% Change
Compensation and employee benefits	$ 222,753	$ 195,056	$ 27,697	14%
Occupancy and equipment	34,497	30,734	3,763	12%
Advertising and promotions	10,621	9,566	1,055	11%
Data processing	17,392	15,911	1,481	9%
Other real estate owned	1,105	3,221	(2,116)	(66%)
Regulatory assessments and insurance	3,771	5,075	(1,304)	(26%)
Loss on termination of hedging activities	13,528	—	13,528	n/m
Core deposit intangible amortization	8,485	6,270	2,215	35%
Other expenses	62,775	54,294	8,481	16%
Total non-interest expense	$ 374,927	$ 320,127	$ 54,800	17%

n/m - not measurable

Total non-interest expense of $375 million for 2019 increased $54.8 million, or 17 percent, over the prior year. Compensation and employee benefits for 2019 increased $27.7 million, or 14 percent, from the prior year due to the increased number of employees from acquisitions and organic growth, a $5.4 million of stock compensation expense related to the Heritage acquisition and annual salary increases. Occupancy and equipment expense for 2019 increased $3.8 million, or 12 percent from the prior year as a result of increased cost from acquisitions and general cost increases. Data processing expense increased $1.5 million or 9 percent, over the prior year primarily as a result of increased costs from acquisitions. Regulatory assessment and insurance decreased $1.3 million, or 26 percent, from the prior year and included $2.5 million of Small Bank Assessment credits applied by the FDIC during the current year. Other expenses of $62.8 million in the current year, increased $8.5 million, or 16 percent, from the prior year and was primarily driven an increase in acquisition-related expenses, increased costs from acquisitions and general cost increases. Other expenses included acquisition-related expenses of $8.5 million in 2019 compared to $6.6 million in the prior year.

Provision for Loan Losses

The following table summarizes the provision for loan losses, net charge-offs and select ratios relating to the provision for loan losses for the previous eight quarters:

(Dollars in thousands)	Provision for Loan Losses	Net Charge-Offs	ALLL as a Percent of Loans	Accruing Loans 30-89 Days Past Due as a Percent of Loans	Non-Performing Assets to Total Subsidiary Assets
Fourth quarter 2019	$ —	$ 1,045	1.31%	0.24%	0.27%
Third quarter 2019	—	3,519	1.32%	0.31%	0.40%
Second quarter 2019	—	732	1.46%	0.43%	0.41%
First quarter 2019	57	1,510	1.56%	0.44%	0.42%
Fourth quarter 2018	1,246	2,542	1.58%	0.41%	0.47%
Third quarter 2018	3,194	2,223	1.63%	0.31%	0.61%
Second quarter 2018	4,718	762	1.66%	0.50%	0.71%
First quarter 2018	795	2,755	1.66%	0.59%	0.64%

The provision for loan losses was $57 thousand for 2019, a decrease of $9.9 million from prior year. Net charge-offs during the 2019 were $6.8 million compared to $8.3 million during 2018.

Efficiency Ratio

The efficiency ratio for the year ended December 31, 2019 was 57.78 percent. Excluding the $10.0 million loss recognized on the termination of the interest rate swaps, the $3.5 million write-off of the remaining unamortized deferred prepayment penalties on FHLB advances, and the $5.4 million of accelerated stock compensation expense related to the Heritage acquisition, the efficiency ratio would have been 54.79 percent, which was an increase of 6 basis points from the efficiency ratio of 54.73 percent for 2018. The increase in the efficiency ratio was driven by the decrease in interchange fees from the Durbin Amendment that outpaced the increase in net interest income.

ADDITIONAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment Activity

The Company's investment securities primarily consist of debt securities classified as available-for-sale or held-to-maturity. Non-marketable equity securities consist of capital stock issued by the FHLB of Des Moines and are carried at cost less impairment.

Debt Securities

In November 2018, the Company adopted FASB ASU 2017-12, *Derivatives and Hedging*, and in doing so redesignated state and local government securities with a carrying value of $270,331,000, from held-to-maturity classification to available-for-sale classification. The Company considers the available-for-sale classification of these debt securities to be appropriate since it no longer had the intent to hold them to maturity. Debt securities classified as available-for-sale are carried at estimated fair value and debt securities classified as held-to-maturity are carried at amortized cost. Unrealized gains or losses, net of tax, on available-for-sale debt securities are reflected as an adjustment to OCI. The Company's debt securities are summarized below:

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015	
(Dollars in thousands)	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent
Available-for-sale										
U.S. government and federal agency	$ 20,044	1%	$ 23,649	1%	$ 31,127	1%	$ 39,407	1%	$ 47,451	1%
U.S. government sponsored enterprises	43,677	1%	120,208	4%	19,091	1%	19,570	1%	93,167	3%
State and local governments	702,398	25%	852,250	30%	629,501	26%	786,373	25%	885,019	27%
Corporate bonds	157,602	6%	290,817	10%	216,762	9%	471,951	15%	384,163	12%
Residential mortgage-backed securities	738,724	26%	792,915	28%	779,283	32%	1,007,515	33%	1,198,549	36%
Commercial mortgage-backed securities	912,807	33%	491,824	17%	102,479	4%	100,661	3%	2,411	—%
Total available-for-sale	2,575,252	92%	2,571,663	90%	1,778,243	73%	2,425,477	78%	2,610,760	79%
Held-to-maturity										
State and local governments	224,611	8%	297,915	10%	648,313	27%	675,674	22%	702,072	21%
Total held-to-maturity	224,611	8%	297,915	10%	648,313	27%	675,674	22%	702,072	21%
Total debt securities	$2,799,863	100%	$2,869,578	100%	$2,426,556	100%	$3,101,151	100%	$3,312,832	100%

The Company's debt securities are primarily comprised of state and local government securities and mortgage-backed securities. State and local government securities are largely exempt from federal income tax and the Company's federal statutory income tax rate of 21 percent is used in calculating the tax-equivalent yields on the tax-exempt securities. As a result of the Tax Act, the federal statutory income tax rate decreased from 35 percent in 2017 to 21 percent beginning in 2018. Mortgage-backed securities largely consists of short, weighted-average life U.S. agency guaranteed residential and commercial mortgage pass-through securities and to a lesser extent, short, weighted-average life U.S. agency guaranteed residential collateralized mortgage obligations. Combined, the mortgage-backed securities provide the Company with ongoing liquidity as scheduled and pre-paid principal is received on the securities.

State and local government securities carry different risks that are not as prevalent in other security types. The Company evaluates the investment grade quality of its securities in accordance with regulatory guidance. Investment grade securities are those where the issuer has an adequate capacity to meet the financial commitments under the security for the projected life of the investment. An issuer has an adequate capacity to meet financial commitments if the risk of default by the obligor is low and the full and timely payment of principal and interest are expected. In assessing credit risk, the Company may use credit ratings from Nationally Recognized Statistical Rating Organizations ("NRSRO" entities such as Standard and Poor's ["S&P"] and Moody's) as support for the evaluation; however, they are not solely relied upon. There have been no significant differences in the Company's internal evaluation of the creditworthiness of any issuer when compared with the ratings assigned by the NRSROs.

The following table stratifies the state and local government securities by the associated NRSRO ratings. The highest issued rating was used to categorize the securities in the table for those securities where the NRSRO ratings were not at the same level.

	December 31, 2019		December 31, 2018	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
S&P: AAA / Moody's: Aaa	$ 251,101	259,690	299,275	296,027
S&P: AA+, AA, AA- / Moody's: Aa1, Aa2, Aa3	523,150	539,758	643,023	640,736
S&P: A+, A, A- / Moody's: A1, A2, A3	113,275	120,048	163,041	167,779
S&P: BBB+, BBB, BBB- / Moody's: Baa1, Baa2, Baa3	3,217	3,302	4,208	4,382
Not rated by either entity	13,451	13,795	31,954	30,532
Below investment grade	201	201	1,050	1,050
Total	$ 904,395	936,794	1,142,551	1,140,506

State and local government securities largely consist of both taxable and tax-exempt general obligation and revenue bonds. The following table stratifies the state and local government securities by the associated security type.

	December 31, 2019		December 31, 2018	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
General obligation - unlimited	$ 445,584	465,066	657,051	658,062
General obligation - limited	119,884	124,939	173,973	177,275
Revenue	325,331	332,354	290,106	283,939
Certificate of participation	8,003	8,815	14,174	14,463
Other	5,593	5,620	7,247	6,767
Total	$ 904,395	936,794	1,142,551	1,140,506

The following table outlines the five states in which the Company owns the highest concentrations of state and local government securities.

	December 31, 2019		December 31, 2018	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Washington	$ 116,458	146,538	179,691	179,808
Texas	112,397	121,641	157,978	157,706
Michigan	141,131	116,581	144,378	147,386
Montana	72,061	76,549	109,106	111,492
Ohio	29,000	30,592	53,698	53,615
All other states	433,348	444,893	497,700	490,499
Total	$ 904,395	936,794	1,142,551	1,140,506

The following table presents the carrying amount and weighted-average yield of available-for-sale and held-to-maturity debt securities by contractual maturity at December 31, 2019. Weighted-average yields are based upon the amortized cost of securities and are calculated using the interest method which takes into consideration premium amortization, discount accretion and mortgage-backed securities' prepayment provisions. Weighted-average yields on tax-exempt debt securities exclude the federal income tax benefit.

	One Year or Less		After One through Five Years		After Five through Ten Years		After Ten Years		Mortgage-Backed Securities [1]		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available-for-sale												
U.S. government and federal agency	$ 504	2.03%	$ 2,338	2.28%	$ 7,602	1.34%	$ 9,600	1.85%	$ —	—%	$ 20,044	1.71%
U.S. government sponsored enterprises	998	—%	42,679	2.71%	—	—%	—	—%	—	—%	43,677	2.65%
State and local governments	3,404	3.20%	29,225	2.82%	206,915	3.68%	462,854	3.62%	—	—%	702,398	3.60%
Corporate bonds	57,649	2.78%	99,953	3.28%	—	—%	—	—%	—	—%	157,602	3.09%
Residential mortgage-backed securities	—	—%	—	—%	—	—%	—	—%	738,724	2.44%	738,724	2.44%
Commercial mortgage-backed securities	—	—%	—	—%	—	—%	—	—%	912,807	2.86%	912,807	2.86%
Total available-for-sale	62,555	2.75%	174,195	3.05%	214,517	3.60%	472,454	3.58%	1,651,531	2.67%	2,575,252	2.94%
Held-to-maturity												
State and local governments	—	—%	12,841	2.36%	71,708	2.70%	140,062	3.26%	—	—%	224,611	3.03%
Total held-to-maturity	—	—%	12,841	2.36%	71,708	2.70%	140,062	3.26%	—	—%	224,611	3.03%
Total debt securities	$ 62,555	2.75%	$187,036	3.00%	$286,225	3.37%	$ 612,516	3.51%	$1,651,531	2.67%	$2,799,863	2.95%

[1] Mortgage-backed securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

Interest income from debt securities consisted of the following:

	Years ended		
(Dollars in thousands)	December 31, 2019	December 31, 2018	December 31, 2017
Taxable interest	$ 55,120	46,554	38,433
Tax-exempt interest	30,384	39,945	43,535
Total interest income	$ 85,504	86,499	81,968

For additional information on debt securities, see Notes 1 and 2 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Other-Than-Temporary Impairment on Securities Analysis

Debt securities. In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell the security or if it is more-likely-than-not that the Company will be required to sell the debt security. In so doing, management considers contractual constraints, liquidity, capital, asset/liability management and securities portfolio objectives. For debt securities with limited or inactive markets, the impact of macroeconomic conditions in the U.S. upon fair value estimates includes higher risk-adjusted discount rates and changes in credit ratings provided by NRSRO. S&P, Moody's and Fitch have all issued stable outlooks of U.S. government long-term debt and have similar credit ratings and outlooks with respect to certain long-term debt instruments issued by Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and other U.S. government agencies linked to the long-term U.S. debt.

The following table separates debt securities with an unrealized loss position at December 31, 2019 into two categories: securities purchased prior to 2019 and those purchased during 2019. Of those securities purchased prior to 2019, the fair market value and unrealized gain or loss at December 31, 2018 is also presented.

	December 31, 2019			December 31, 2018		
(Dollars in thousands)	Fair Value	Unrealized Loss	Unrealized Loss as a Percent of Fair Value	Fair Value	Unrealized Loss	Unrealized Loss as a Percent of Fair Value
Temporarily impaired securities purchased prior to 2019						
U.S. government and federal agency	$ 10,366	$ (65)	(1%)	$ 14,505	$ (81)	(1%)
State and local governments	750	(1)	—%	775	(32)	(4%)
Corporate bonds	7,378	(1)	—%	7,547	(39)	(1%)
Residential mortgage-backed securities	52,425	(374)	(1%)	68,817	(2,272)	(3%)
Commercial mortgage-backed securities	20,152	(173)	(1%)	23,142	(839)	(4%)
Total	$ 91,071	$ (614)	(1%)	$ 114,786	$ (3,263)	(3%)
Temporarily impaired securities purchased during 2019						
State and local governments	$ 18,294	(79)	—%			
Residential mortgage-backed securities	62,175	(175)	—%			
Commercial mortgage-backed securities	164,596	(1,219)	(1%)			
Total	$ 245,065	$ (1,473)	(1%)			
Temporarily impaired securities						
U.S. government and federal agency	$ 10,366	$ (65)	(1%)			
State and local governments	19,044	(80)	—%			
Corporate bonds	7,378	(1)	—%			
Residential mortgage-backed securities	114,600	(549)	—%			
Commercial mortgage-backed securities	184,748	(1,392)	(1%)			
Total	$ 336,136	$ (2,087)	(1%)			

With respect to severity, the following table provides the number of debt securities and amount of unrealized loss in the identified ranges of unrealized loss as a percent of book value at December 31, 2019:

(Dollars in thousands)	Number of Debt Securities	Unrealized Loss
0.1% to 5.0%	88	$ (2,087)

With respect to the valuation history of the impaired debt securities, the Company identified 39 securities which have been continuously impaired for the twelve months ending December 31, 2019. The valuation history of such securities in the prior year(s) was also reviewed to determine the number of months in the prior year(s) in which the identified securities were in an unrealized loss position.

The following table provides details of the 39 debt securities which have been continuously impaired for the twelve months ended December 31, 2019, including the most notable loss for any one bond in each category.

(Dollars in thousands)	Number of Debt Securities	Unrealized Loss for 12 Months Or More	Most Notable Loss
U.S. government and federal agency	18	$ (65)	$ (15)
Residential mortgage-backed securities	18	(315)	(69)
Commercial mortgage-backed securities	3	(99)	(50)
Total	39	$ (479)	

Based on the Company's analysis of its impaired debt securities as of December 31, 2019, the Company determined that none of such securities had other-than-temporary impairment and the unrealized losses were primarily the result of interest rate changes and market spreads subsequent to acquisition. A substantial portion of the debt securities with unrealized losses at December 31, 2019 were issued by Fannie Mae, Freddie Mac, Government National Mortgage Association ("Ginnie Mae") and other agencies of the U.S. government or have credit ratings issued by one or more of the NRSRO entities in the four highest credit rating categories. All of the Company's impaired debt securities at December 31, 2019 have been determined by the Company to be investment grade.

Equity securities. Non-marketable equity securities and marketable equity securities without readily determinable fair values are evaluated for impairment whenever events or circumstances suggest the carrying value may not be recoverable. Based on the Company's evaluation of its investments in non-marketable equity securities and marketable equity securities without readily determinable fair values as of December 31, 2019, the Company determined that none of such securities were impaired.

Lending Activity

The Company focuses its lending activities primarily on the following types of loans: 1) first-mortgage, conventional loans secured by residential properties, particularly single-family; 2) commercial lending, including agriculture and public entities; and 3) installment lending for consumer purposes (e.g., home equity, automobile, etc.). Supplemental information regarding the Company's loan portfolio and credit quality based on regulatory classification is provided in the section captioned "Loans by Regulatory Classification" included in "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." The regulatory classification of loans is based primarily on the type of collateral for the loans. Loan information included in "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on the Company's loan segments and classes, which are based on the purpose of the loan, unless otherwise noted as a regulatory classification. The following table summarizes the Company's loan portfolio as of the dates indicated:

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Residential real estate loans	$ 926,388	10%	$ 887,742	11%	$ 720,728	11%	$ 674,347	12%	$ 688,912	14%
Commercial loans										
Real estate	5,579,307	59%	4,657,561	57%	3,577,139	55%	2,990,141	54%	2,633,953	53%
Other commercial	2,094,254	22%	1,911,171	23%	1,579,353	25%	1,342,250	24%	1,099,564	22%
Total	7,673,561	81%	6,568,732	80%	5,156,492	80%	4,332,391	78%	3,733,517	75%
Consumer and other loans										
Home equity	617,201	7%	544,688	7%	457,918	7%	434,774	8%	420,901	9%
Other consumer	295,660	3%	286,387	4%	242,686	4%	242,951	4%	235,351	5%
Total	912,861	10%	831,075	11%	700,604	11%	677,725	12%	656,252	14%
Loans receivable	9,512,810	101%	8,287,549	102%	6,577,824	102%	5,684,463	102%	5,078,681	103%
ALLL	(124,490)	(1%)	(131,239)	(2%)	(129,568)	(2%)	(129,572)	(2%)	(129,697)	(3%)
Loans receivable, net	$ 9,388,320	100%	$ 8,156,310	100%	$ 6,448,256	100%	$ 5,554,891	100%	$ 4,948,984	100%

The stated maturities or first repricing term (if applicable) for the loan portfolio at December 31, 2019 was as follows:

(Dollars in thousands)	Residential Real Estate	Commercial	Consumer and Other	Total
Variable rate maturing or repricing				
In one year or less	$ 189,615	2,040,327	300,540	2,530,482
After one year through five years	349,618	2,686,529	285,612	3,321,759
Thereafter	88,382	284,156	7,721	380,259
Fixed rate maturing				
In one year or less	98,706	1,007,329	107,965	1,214,000
After one year through five years	137,156	1,240,900	179,850	1,557,906
Thereafter	62,911	414,320	31,173	508,404
Total	$ 926,388	7,673,561	912,861	9,512,810

Residential Real Estate Lending

The Company's lending activities consist of the origination of both construction and permanent loans on residential real estate. The Company actively solicits residential real estate loan applications from real estate brokers, contractors, existing customers, customer referrals, and on-line applications. The Company's lending policies generally limit the maximum loan-to-value ratio on residential mortgage loans to 80 percent of the lesser of the appraised value or purchase price. Policies allow for higher loan-to-values with appropriate risk mitigation such as documented compensating factors, credit enhancement, etc. For loans held for sale, the Company complies with the investor's loan-to-value guidelines. The Company also provides interim construction financing for single-family dwellings. These loans are supported by a term take-out commitment.

Consumer Land or Lot Loans
The Company originates land and lot acquisition loans to borrowers who intend to construct their primary residence on the respective land or lot. These loans are generally for a term of three to five years and are secured by the developed land or lot with the loan-to-value limited to the lesser of 75 percent of the appraised value or 75 percent of the cost.

Unimproved Land and Land Development Loans
Although the Company has originated very few unimproved land and land development loans since the economic downturn in 2008, the Company may originate such loans on properties intended for residential and commercial use where improved real estate market conditions have occurred. These loans are typically made for a term of 18 months to two years and are secured by the developed property with a loan-to-value not to exceed the lesser of 75 percent of cost or 65 percent of the appraised discounted bulk sale value upon completion of the improvements. The projects under development are inspected on a regular basis and advances are made on a percentage-of-completion basis. The loans are made to borrowers with real estate development experience and appropriate financial strength. Generally, the Company requires that a certain percentage of the development be pre-sold or that construction and term take-out commitments are in place prior to funding the loan. Loans made on unimproved land are generally made for a term of five to ten years with a loan-to-value not to exceed the lesser of 50 percent of appraised value or 50 percent of cost.

Residential Builder Guidance Lines
The Company provides Builder Guidance Lines that are comprised of pre-sold and spec-home construction and lot acquisition loans. The spec-home construction and lot acquisition loans are limited to a specific number and maximum amount. Generally, the individual loans will not exceed a one year maturity. The homes under construction are inspected on a regular basis and advances made on a percentage-of-completion basis.

Construction Loans
During the construction loan term, all construction loan collateral properties are inspected at least monthly, or more frequently as needed, until completion. Draws on construction loans are predicated upon the results of the inspection and advanced based upon a percentage-of-completion basis versus original budget percentages. When construction loans become non-performing and the associated project is not complete, the Company on a case-by-case basis makes the decision to advance additional funds or to initiate collection/foreclosure proceedings. Such decision includes obtaining "as-is" and "at completion" appraisals for consideration of potential increases or decreases in the collateral's value. The Company also considers the increased costs of monitoring progress to completion, and the related collection/holding period costs should collateral ownership be transferred to the Company.

Commercial Real Estate Loans
Loans are made to purchase, construct and finance commercial real estate properties. These loans are generally made to borrowers who will own and occupy the property, but may include loans to finance investment or income properties. Commercial real estate loans generally have a loan-to-value up to the lesser of 75 percent of the appraised value or 75 percent of the cost and require a minimum 1.2 times debt service coverage margin.

Agricultural Lending
Agricultural lending is conducted on a conservative basis and consists of operating credits, term real estate loans for the acquisition or refinance of agricultural real estate or equipment, and term livestock loans for the acquisition or refinance of livestock. Loan-to-value on equipment, livestock and agricultural real estate is generally limited to 75 percent.

Home Equity Loans
The Company's home equity loans of $617 million and $545 million as of December 31, 2019 and 2018, respectively, consist of 1-4 family junior lien mortgages and first and junior lien lines of credit secured by residential real estate. At December 31, 2019, the home equity loan portfolio consisted of 92 percent variable interest rate and 8 percent fixed interest rate loans. Approximately 56 percent of the home equity loans were in a first lien status with the remaining 44 percent in junior lien status. Approximately 5 percent of the home equity loans were closed-end amortizing loans and 95 percent were open-end, revolving home equity lines of credit. At December 31, 2018, the home equity loan portfolio consisted of 92 percent variable interest rate and 8 percent fixed interest rate loans. Approximately 56 percent of the home equity loans were in a first lien status with the remaining 44 percent in junior lien status. Approximately 6 percent of the home equity loans were closed-end amortizing loans and 94 percent were open-end, revolving home equity lines of credit.

Home equity lines of credit are generally originated with maturity terms of 15 years. At origination, borrowers can choose a variable interest rate that changes quarterly, or after the first 3, 5 or 10 years from the origination date. The draw period for home equity lines of credit usually exists from origination to maturity. During the draw period, the Company has home equity lines of credit where the borrowers pay interest only and home equity lines of credit where borrowers pay principal and interest.

Consumer Lending

The majority of consumer loans are secured by real estate, automobiles, or other assets. The Company intends to continue making such loans because of their short-term nature, generally between three months and five years. Moreover, interest rates on consumer loans are generally higher than on residential mortgage loans. The Company also originates second mortgage and home equity loans, especially to existing customers in instances where the first and second mortgage loans are less than 80 percent of the current appraised value of the property.

States and Political Subdivisions Lending

The Company lends directly to state and local political subdivisions. The loans are typically secured by the full faith and credit of the municipality or a specific revenue stream such as water or sewer fees. In general, state and local political subdivision loans carry a low risk of default and offer other complimentary business opportunities such as deposits and cash management. The loans are generally long-term in nature and interest on many of these loans is tax-exempt for federal income tax purposes.

Credit Risk Management

The Company is committed to a conservative management of the credit risk within the loan portfolio, including the early recognition of problem loans. The Company's credit risk management includes stringent credit policies, individual loan approval limits, limits on concentrations of credit, and committee approval of larger loan requests. Management practices also include regular internal and external credit examinations, identification and review of individual loans and leases experiencing deterioration of credit quality, procedures for the collection of non-performing assets, quarterly monitoring of the loan portfolio, semi-annual review of loans by industry, and periodic stress testing of the loans secured by real estate. Federal and state regulatory safety and soundness examinations are conducted annually.

The Company's loan policy and credit administration practices establish standards and limits for all extensions of credit that are secured by interests in or liens on real estate, or made for the purpose of financing the construction of real property or other improvements. Ongoing monitoring and review of the loan portfolio is based on current information, including: the borrowers' and guarantors' creditworthiness, value of the real estate and other collateral, the project's performance against projections, and monthly inspections by Company employees or external parties until the real estate project is complete.

Monitoring of the junior lien and home equity lines of credit portfolios includes evaluating payment delinquency, collateral values, bankruptcy notices and foreclosure filings. Additionally, the Company places junior lien mortgages and junior lien home equity lines of credit on non-accrual status when there is evidence that the associated senior lien is 90 days past due or is in the process of foreclosure, regardless of the junior lien delinquency status.

Loan Approval Limits

Individual loan approval limits have been established for each lender based on the loan types and experience of the individual. There are four additional loan approval levels: 1) the Bank divisions' Officer Loan Committees, consisting of senior lenders and members of senior management; 2) the Bank divisions' advisory boards; 3) the Bank's Executive Loan Committee, consisting of the Bank divisions' senior loan officers and the Company's Chief Credit Administrator; and 4) Bank's Board of Directors. Under banking laws, loans to one borrower and related entities are limited to a prescribed percentage of the unimpaired capital and surplus of the Bank.

Interest Reserves

Interest reserves are used to periodically advance loan funds to pay interest charges on the outstanding balance of the related loan. As with any extension of credit, the decision to establish a loan-funded interest reserve upon origination of construction loans, including residential construction and land, lot and other construction loans, is based on prudent underwriting, including the feasibility of the project, expected cash flow, creditworthiness of the borrower and guarantors, and the protection provided by the real estate and other underlying collateral. Interest reserves provide an effective means for addressing the cash flow characteristics of construction loans. In response to the downturn in the housing market and potential impact upon construction lending, the Company discourages the creation or continued use of interest reserves.

Interest reserves are advanced provided the related construction loan is performing as expected. Loans with interest reserves may be extended, renewed or restructured only when the related loan continues to perform as expected and meets the prudent underwriting standards identified above. Such renewals, extension or restructuring are not permitted in order to keep the related loan current.

In monitoring the performance and credit quality of a construction loan, the Company assesses the adequacy of any remaining interest reserve, and whether the use of an interest reserve remains appropriate in the presence of emerging weakness and associated risks in the construction loan.

The ongoing accrual and recognition of uncollected interest as income continues only when facts and circumstances continue to reasonably support the contractual payment of principal or interest. Loans are typically designated as non-accrual when the collection of the contractual principal or interest is unlikely and has remained unpaid for ninety days or more. For such loans, the accrual of interest and its capitalization into the loan balance will be discontinued.

The Company had $240 million and $179 million of loans with remaining interest reserves of $8.6 million and $7.1 million as of December 31, 2019 and 2018, respectively. During 2019 and 2018, the Company extended, renewed or restructured 42 loans and 9 loans, respectively, with interest reserves. Such loans had an aggregate outstanding principal balance of $30.4 million and $11.6 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019, the Company had no construction loans with interest reserves that are currently non-performing or which are potential problem loans.

Loan Purchases and Sales

Fixed rate, long-term mortgage loans are generally sold in the secondary market. The Company is active in the secondary market, primarily through the origination of conventional, Rural Development, Federal Housing Administration and Department of Veterans Affairs residential mortgages. The sale of loans in the secondary mortgage market reduces the Company's risk of holding long-term, fixed rate loans during periods of rising interest rates. In connection with conventional loan sales, the Company typically sells the majority of mortgage loans originated with servicing released; however, the Company strategically retains servicing in certain circumstances. The Company has also been very active in generating commercial Small Business Administration loans, and other commercial loans, with a portion of those loans sold to investors. The Company has not originated any type of subprime mortgages, either for the loan portfolio or for sale to investors. In addition, the Company has not purchased debt securities collateralized with subprime mortgages. The Company does not actively purchase loans from other financial institutions, and substantially all of the Company's loans receivable are with customers in the Company's geographic market areas.

Loan Origination and Other Fees

In addition to interest earned on loans, the Company receives fees for originating loans. Loan fees generally are a percentage of the principal amount of the loan and are charged to the borrower, and are normally deducted from the proceeds of the loan. Loan origination fees are generally 1.0 to 1.5 percent on residential mortgages and 0.5 to 1.5 percent on commercial loans. Consumer loans generally require a fixed fee amount. The Company also receives other fees and charges relating to existing loans, which include charges and fees collected in connection with loan modifications.

Appraisal and Evaluation Process

The Company's loan policy and credit administration practices have adopted and implemented the applicable legal and regulatory requirements, which establishes criteria for obtaining appraisals or evaluations (new or updated), including transactions that are otherwise exempt from the appraisal requirements.

Each of the Bank divisions monitor conditions, including supply and demand factors, in the real estate markets served so they can react quickly to changing market conditions to mitigate potential losses from specific credit exposures within the loan portfolio. Evidence of the following real estate market conditions and trends is obtained from lending personnel and third party sources:

- demographic indicators, including employment and population trends;
- foreclosures, vacancy, construction and absorption rates;
- property sales prices, rental rates, and lease terms;
- current tax assessments;
- economic indicators, including trends within the lending areas; and
- valuation trends, including discount and capitalization rates.

Third party information sources include federal, state, and local governments and agencies thereof, private sector economic data vendors, real estate brokers, licensed agents, sales, rental and foreclosure data tracking services.

The time between ordering an appraisal or evaluation and receipt from third party vendors is typically two to six weeks for residential property depending on geographic market and four to six weeks for non-residential property. For real estate properties that are of highly specialized or limited use, significantly complex or large, additional time beyond the typical times may be required for new appraisals or evaluations (new or updated).

As part of the Company's credit administration and portfolio monitoring practices, the Company's regular internal and external credit examinations review a significant number of individual loan files. Appraisals and evaluations (new or updated) are reviewed to determine whether the timeliness, methods, assumptions, and findings are reasonable and in compliance with the Company's loan policy and credit administration practices. Such reviews include the adequacy of the steps taken by the Company to ensure that the individuals who perform appraisals and evaluations (new or updated) are appropriately qualified and are not subject to conflicts of interest. If there are any deficiencies noted in the reviews, they are reported to Bank management and prompt corrective action is taken.

Non-performing Assets

The following table summarizes information regarding non-performing assets at the dates indicated:

		At or for the Years ended			
(Dollars in thousands)	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Other real estate owned	$ 5,142	7,480	14,269	20,954	26,815
Accruing loans 90 days or more past due					
Residential real estate	753	788	2,366	266	—
Commercial	207	492	3,582	428	2,051
Consumer and other	452	738	129	405	80
Total	1,412	2,018	6,077	1,099	2,131
Non-accrual loans					
Residential real estate	4,715	8,021	4,924	4,528	8,073
Commercial	22,242	35,883	35,629	39,033	36,510
Consumer and other	3,926	3,348	4,280	5,771	6,550
Total	30,883	47,252	44,833	49,332	51,133
Total non-performing assets	$ 37,437	56,750	65,179	71,385	80,079
Non-performing assets as a percentage of subsidiary assets	0.27%	0.47%	0.68%	0.76%	0.88%
ALLL as a percentage of non-performing loans	385%	266%	255%	257%	244%
Accruing loans 30-89 days past due	$ 23,192	33,567	37,687	25,617	19,413
Accruing troubled debt restructurings	$ 34,055	25,833	38,491	52,077	63,590
Non-accrual troubled debt restructurings	$ 3,346	10,660	23,709	21,693	27,057
U.S. government guarantees included in non-performing assets	$ 1,786	4,811	2,513	1,746	2,312
Interest income [1]	$ 1,603	2,340	2,162	2,364	2,471

[1] Amounts represent estimated interest income that would have been recognized on loans accounted for on a non-accrual basis as of the end of each period had such loans performed pursuant to contractual terms.

The Company experienced another successful year in reducing non-performing assets as the Bank divisions continued to focus on resolving outstanding credit issues. Non-performing assets of $37.4 million at December 31, 2019 decreased $19.3 million, or 34 percent, over the prior year end. Non-performing assets as a percentage of subsidiary assets at December 31, 2019 was 0.27 percent, a decrease of 20 basis points from the prior year fourth quarter. Early stage delinquencies (accruing loans 30-89 days past due) of $23.2 million at December 31, 2019 decreased $10.4 million from the prior year end. Early stage delinquencies as a percentage of loans at December 31, 2019 was 0.24 percent, which was a decrease of 17 basis points from the prior year end.

Most of the Company's non-performing assets are secured by real estate, and based on the most current information available to management, including updated appraisals or evaluations (new or updated), the Company believes the value of the underlying real estate collateral is adequate to minimize significant charge-offs or losses to the Company. The Company evaluates the level of its non-performing loans, the values of the underlying real estate and other collateral, and related trends in internal and external environmental factors and net charge-offs in determining the adequacy of the ALLL. Through pro-active credit administration, the Company works closely with its borrowers to seek favorable resolution to the extent possible, thereby attempting to minimize net charge-offs or losses to the Company. With very limited exceptions, the Company does not disburse additional funds on non-performing loans. Instead, the Company proceeds to collection and foreclosure actions in order to reduce the Company's exposure to loss on such loans.

For additional information on accounting policies relating to non-performing assets and impaired loans, see Note 1 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Impaired Loans

Loans are designated impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement and therefore, the Company has serious doubts as to the ability of such borrowers to fulfill the contractual obligation. Impaired loans include non-performing loans (i.e., non-accrual loans and accruing loans ninety days or more past due) and accruing loans under ninety days past due where it is probable payments will not be received according to the loan agreement (e.g., troubled debt restructuring). Impaired loans were $95 million and $109 million as of December 31, 2019 and December 31, 2018, respectively. The ALLL includes specific valuation allowances of $0.1 million and $3.2 million of impaired loans as of December 31, 2019 and December 31, 2018, respectively.

Restructured Loans

A restructured loan is considered a troubled debt restructuring ("TDR") if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Each restructured debt is separately negotiated with the borrower and includes terms and conditions that reflect the borrower's prospective ability to service the debt as modified. The Company discourages the use of the multiple loan strategy when restructuring loans regardless of whether or not the loans are designated as TDRs. The Company's TDR loans of $37.4 million and $36.5 million as of December 31, 2019 and December 31, 2018, respectively, are considered impaired loans.

Other Real Estate Owned

The book value of loans prior to the acquisition of collateral and transfer of the loans into OREO during 2019 was $3.0 million. The fair value of the loan collateral acquired in foreclosure during 2019 was $2.3 million. The following table sets forth the changes in OREO for the periods indicated:

	Years ended				
(Dollars in thousands)	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Balance at beginning of period	$ 7,480	14,269	20,954	26,815	27,804
Acquisitions	—	187	96	882	974
Additions	2,349	4,924	4,466	5,198	7,989
Capital improvements	63	21	—	149	1,710
Write-downs	(766)	(2,727)	(604)	(1,821)	(1,575)
Sales	(3,984)	(9,194)	(10,643)	(10,269)	(10,087)
Balance at end of period	$ 5,142	7,480	14,269	20,954	26,815

Allowance for Loan and Lease Losses
Determining the adequacy of the ALLL involves a high degree of judgment and is inevitably imprecise as the risk of loss is difficult to quantify. The ALLL methodology is designed to reasonably estimate the probable loan and lease losses within the Company's loan portfolio. Accordingly, the ALLL is maintained within a range of estimated losses. The determination of the ALLL, including the provision for loan losses and net charge-offs, is a critical accounting estimate that involves management's judgments about all known relevant internal and external environmental factors that affect loan losses, including the credit risk inherent in the loan portfolio, economic conditions nationally and in the local markets in which the Company operates, trends and changes in collateral values, delinquencies, non-performing assets, net charge-offs and credit-related policies and personnel. Although the Company continues to actively monitor economic trends, soft economic conditions combined with potential declines in the values of real estate that collateralize most of the Company's loan portfolio may adversely affect the credit risk and potential for loss to the Company.

The ALLL evaluation is well documented and approved by the Company's Board. In addition, the policy and procedures for determining the balance of the ALLL are reviewed annually by the Company's Board, the internal audit department, independent credit reviewers and state and federal bank regulatory agencies.

At the end of each quarter, the Company analyzes its loan portfolio and maintains an ALLL at a level that is appropriate and determined in accordance with GAAP. The allowance consists of a specific valuation allowance component and a general valuation allowance component. The specific valuation allowance component relates to loans that are determined to be impaired. A specific valuation allowance is established when the fair value of a collateral-dependent loan or the present value of the loan's expected future cash flows (discounted at the loan's effective interest rate) is lower than the carrying value of the impaired loan. The general valuation allowance component relates to probable credit losses inherent in the balance of the loan portfolio based on historical loss experience, adjusted for changes in trends and conditions of qualitative or environmental factors.

The Bank divisions' credit administration reviews their respective loan portfolios to determine which loans are impaired and estimates the specific valuation allowance. The impaired loans and related specific valuation allowance are then provided to the Company's credit administration for further review and approval. The Company's credit administration also determines the estimated general valuation allowance and reviews and approves the overall ALLL. The credit administration of the Company exercises significant judgment when evaluating the effect of applicable qualitative or environmental factors on the Company's historical loss experience for loans not identified as impaired. Quantification of the impact upon the Company's ALLL is inherently subjective as data for any factor may not be directly applicable, consistently relevant, or reasonably available for management to determine the precise impact of a factor on the collectability of the Company's loans collectively evaluated for impairment as of each evaluation date. The Company's credit administration documents its conclusions and rationale for changes that occur in each applicable factor's weight (i.e., measurement) and ensures that such changes are directionally consistent based on the underlying current trends and conditions for the factor. To have directional consistency, the provision for loan losses and credit quality should generally move in the same direction.

The Company's model includes sixteen bank divisions with separate management teams providing substantial local oversight to the lending and credit management function. The Company's business model affords multiple reviews of larger loans before credit is extended, a significant benefit in mitigating and managing the Company's credit risk. The geographic dispersion of the market areas in which the Company operates further mitigates the risk of credit loss. While this process is intended to limit credit exposure, there can be no assurance that further problem credits will not arise and additional loan losses incurred.

The primary responsibility for credit risk assessment and identification of problem loans rests with the loan officer of the account. This continuous process of identifying impaired loans is necessary to support management's evaluation of the ALLL adequacy. An independent loan review function verifying credit risk ratings evaluates the loan officer and management's evaluation of the loan portfolio credit quality.

No assurance can be given that the Company will not, in any particular period, sustain losses that are significant relative to the ALLL amount, or that subsequent evaluations of the loan portfolio applying management's judgment about then current factors, including economic and regulatory developments, will not require significant changes in the ALLL. Under such circumstances, this could result in enhanced provisions for loan losses. See additional risk factors in "Item 1A. Risk Factors."

The following table summarizes the allocation of the ALLL as of the dates indicated:

(Dollars in thousands)	December 31, 2019 ALLL	December 31, 2019 Percent of Loans in Category	December 31, 2018 ALLL	December 31, 2018 Percent of Loans in Category	December 31, 2017 ALLL	December 31, 2017 Percent of Loans in Category	December 31, 2016 ALLL	December 31, 2016 Percent of Loans in Category	December 31, 2015 ALLL	December 31, 2015 Percent of Loans in Category
Residential real estate	$ 10,111	10%	$ 10,631	11%	$ 10,798	11%	$ 12,436	12%	$ 14,427	13%
Commercial real estate	69,496	59%	72,448	56%	68,515	54%	65,773	52%	67,877	52%
Other commercial	36,129	22%	38,160	23%	39,303	24%	37,823	24%	32,525	22%
Home equity	4,937	6%	5,811	7%	6,204	7%	7,572	8%	8,998	8%
Other consumer	3,817	3%	4,189	3%	4,748	4%	5,968	4%	5,870	5%
Total	$124,490	100%	$131,239	100%	$129,568	100%	$129,572	100%	$129,697	100%

The following table summarizes the ALLL experience for the periods indicated:

(Dollars in thousands)	At or for the Years ended December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Balance at beginning of period	$ 131,239	129,568	129,572	129,697	129,753
Provision for loan losses	57	9,953	10,824	2,333	2,284
Charge-offs					
Residential real estate	(608)	(728)	(199)	(464)	(985)
Commercial loans	(6,649)	(8,514)	(9,044)	(4,860)	(4,242)
Consumer and other loans	(7,921)	(8,565)	(10,088)	(6,172)	(1,775)
Total charge-offs	(15,178)	(17,807)	(19,331)	(11,496)	(7,002)
Recoveries					
Residential real estate	251	87	82	207	92
Commercial loans	4,393	5,045	3,569	5,576	3,620
Consumer and other loans	3,728	4,393	4,852	3,255	950
Total recoveries	8,372	9,525	8,503	9,038	4,662
Charge-offs, net of recoveries	(6,806)	(8,282)	(10,828)	(2,458)	(2,340)
Balance at end of period	$ 124,490	131,239	129,568	129,572	129,697
ALLL as a percentage of total loans	1.31%	1.58%	1.97%	2.28%	2.55%
Net charge-offs as a percentage of average loans	0.08%	0.11%	0.17%	0.05%	0.05%

The ALLL as a percent of total loans outstanding at December 31, 2019 was 1.31 percent, which was a decrease of 27 basis points from a year ago. The decrease from prior year end was attributable to stabilizing credit quality. The Company's ALLL of $124 million is considered adequate to absorb losses from any class of its loan portfolio. For the periods ended December 31, 2019 and 2018, the Company believes the ALLL is commensurate with the risk in the Company's loan portfolio and is directionally consistent with the change in the quality of the Company's loan portfolio. During 2019, charge-offs, net of recoveries, exceeded the provision for loan losses by $6.7 million. During the same period in 2018, the provision for loan losses exceeded charge-offs, net of recoveries, by $1.7 million.

The Company provides commercial services to individuals, small to medium-sized businesses, community organizations and public entities from 181 locations, including 164 branches, across Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada. The states in which the Company operates have diverse economies and markets that are tied to commodities (crops, livestock, minerals, oil and natural gas), tourism, real estate and land development and an assortment of industries, both manufacturing and service-related. Thus, the changes in the global, national, and local economies are not uniform across the Company's geographic locations.

Overall, the economic environment and housing markets throughout the Company's footprint continue to show positive signs of improvement. Home prices continue to increase in all of the states within the Company's footprint and all of the eight states continue to remain above the United States average. Three of the top ten states for house price appreciation belong to states in the Company's footprint. Home ownership in the United States is at 64.8 percent, which is still approximately 4 percent less than the peak before the most recent financial crisis. The Federal Reserve Bank of Philadelphia's composite state coincident indices projects positive growth in all states in the Company's footprint, except Wyoming. The third quarter of 2019 was the tenth consecutive quarter the United States economy grew at or above 2.0 percent. All states in the Company's footprint have unemployment rates below 5 percent, which reflects the Federal Reserve's definition of full employment. Crude oil prices remain volatile, base metal prices began a downward trend in 2018 but remained stable through the later part of 2019, and natural gas prices, outside of winter spikes, experienced a decline in 2019. Most agriculture commodities within the Company's footprint remain relatively stable. The tourism industry and related lodging activity continues to be a source of strength for locations where the Company's markets include national parks and similar recreational areas. In general, the Company sees positive signs in the various economic indices; however, given the significant recession experienced during the late 2000s and the current lack of housing supply within the Company's footprint, the Company is cautiously optimistic about the housing market. The Company will continue to actively monitor the economy's impact on its lending portfolio.

In evaluating the need for a specific or general valuation allowance for impaired and unimpaired loans, respectively, within the Company's construction loan portfolio (i.e., regulatory classification), including residential construction and land, lot and other construction loans, the credit risk related to such loans was considered in the ongoing monitoring of such loans, including assessments based on current information, including appraisals or evaluations (new or updated) of the underlying collateral, expected cash flows and the timing thereof, as well as the estimated cost to sell when such costs are expected to reduce the cash flows available to repay or otherwise satisfy the construction loan. Construction loans were 12 percent and 14 percent of the Company's total loan portfolio and accounted for 6 percent and 21 percent of the Company's non-accrual loans at December 31, 2019 and December 31, 2018, respectively. Collateral securing construction loans includes residential buildings (e.g., single/multi-family and condominiums), commercial buildings, and associated land (e.g., multi-acre parcels and individual lots, with and without shorelines).

The Company's ALLL consisted of the following components as of the dates indicated:

(Dollars in thousands)	December 31, 2019	December 31, 2018
Specific valuation allowance	$ 95	3,223
General valuation allowance	124,395	128,016
Total ALLL	$ 124,490	131,239

During 2019, the ALLL decreased by $6.7 million, the net result of a $3.1 million decrease in the specific valuation allowance and a $3.6 million decrease in the general valuation allowance. The specific valuation allowance decreased as the result of a $13.8 million decrease in loans individually evaluated for impairment with a specific impairment. The decrease in the general valuation allowance since the prior year end was a result of changes in qualitative or environmental factors and stabilizing credit quality.

For additional information regarding the ALLL, its relation to the provision for loan losses and risk related to asset quality, see Note 3 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Loans by Regulatory Classification

Supplemental information regarding identification of the Company's loan portfolio and credit quality based on regulatory classification is provided in the following tables. The regulatory classification of loans is based primarily on the type of collateral for the loans. There may be differences when compared to loan tables and loan amounts appearing elsewhere which reflect the Company's internal loan segments and classes which are based on the purpose of the loan.

The following table summarizes the Company's loan portfolio by regulatory classification:

(Dollars in thousands)	December 31, 2019	December 31, 2018	$ Change	% Change
Custom and owner occupied construction	$ 143,479	$ 126,595	$ 16,884	13%
Pre-sold and spec construction	180,539	121,938	58,601	48%
Total residential construction	324,018	248,533	75,485	30%
Land development	101,592	137,814	(36,222)	(26%)
Consumer land or lots	125,759	127,775	(2,016)	(2%)
Unimproved land	62,563	83,579	(21,016)	(25%)
Developed lots for operative builders	17,390	17,061	329	2%
Commercial lots	46,408	34,096	12,312	36%
Other construction	478,368	520,005	(41,637)	(8%)
Total land, lot, and other construction	832,080	920,330	(88,250)	(10%)
Owner occupied	1,667,526	1,343,563	323,963	24%
Non-owner occupied	2,017,375	1,605,960	411,415	26%
Total commercial real estate	3,684,901	2,949,523	735,378	25%
Commercial and industrial	991,580	907,340	84,240	9%
Agriculture	701,363	646,822	54,541	8%
1st lien	1,186,889	1,108,227	78,662	7%
Junior lien	53,571	56,689	(3,118)	(6%)
Total 1-4 family	1,240,460	1,164,916	75,544	6%
Multifamily residential	342,498	247,457	95,041	38%
Home equity lines of credit	617,900	539,938	77,962	14%
Other consumer	174,643	165,865	8,778	5%
Total consumer	792,543	705,803	86,740	12%
States and political subdivisions	533,023	404,671	128,352	32%
Other	139,538	125,310	14,228	11%
Total loans receivable, including loans held for sale	9,582,004	8,320,705	1,261,299	15%
Less loans held for sale [1]	(69,194)	(33,156)	(36,038)	109%
Total loans receivable	$ 9,512,810	$ 8,287,549	$ 1,225,261	15%

[1] Loans held for sale are primarily 1st lien 1-4 family loans.

The following table summarizes the Company's non-performing assets by regulatory classification:

(Dollars in thousands)	Non-performing Assets, by Loan Type December 31, 2019	Non-performing Assets, by Loan Type December 31, 2018	Non-Accruing Loans December 31, 2019	Accruing Loans 90 Days or More Past Due December 31, 2019	OREO December 31, 2019
Custom and owner occupied construction	$ 185	—	185	—	—
Pre-sold and spec construction	743	463	743	—	—
Total residential construction	928	463	928	—	—
Land development	852	2,166	474	—	378
Consumer land or lots	330	1,428	330	—	—
Unimproved land	1,181	9,338	105	—	1,076
Developed lots for operative builders	—	68	—	—	—
Commercial lots	529	1,046	—	—	529
Other construction	—	120	—	—	—
Total land, lot and other construction	2,892	14,166	909	—	1,983
Owner occupied	4,608	5,940	3,320	41	1,247
Non-owner occupied	8,229	10,567	8,229	—	—
Total commercial real estate	12,837	16,507	11,549	41	1,247
Commercial and industrial	5,297	3,914	4,945	142	210
Agriculture	2,288	7,040	2,137	1	150
1st lien	8,671	10,290	6,414	753	1,504
Junior lien	569	565	546	23	—
Total 1-4 family	9,240	10,855	6,960	776	1,504
Multifamily residential	201	—	201	—	—
Home equity lines of credit	2,618	2,770	2,618	—	—
Other consumer	837	456	344	445	48
Total consumer	3,455	3,226	2,962	445	48
Other	299	579	292	7	—
Total	$ 37,437	56,750	30,883	1,412	5,142

The following table summarizes the Company's accruing loans 30-89 days past due by regulatory classification:

(Dollars in thousands)	Accruing 30-89 Days Delinquent Loans, by Loan Type December 31, 2019	December 31, 2018	$ Change	% Change
Custom and owner occupied construction	$ 637	$ 1,661	$ (1,024)	(62%)
Pre-sold and spec construction	148	887	(739)	(83%)
Total residential construction	785	2,548	(1,763)	(69%)
Land development	—	228	(228)	(100%)
Consumer land or lots	672	200	472	236%
Unimproved land	558	579	(21)	(4%)
Developed lots for operative builders	2	122	(120)	(98%)
Commercial lots	—	203	(203)	(100%)
Other construction	—	4,170	(4,170)	(100%)
Total land, lot and other construction	1,232	5,502	(4,270)	(78%)
Owner occupied	3,052	2,981	71	2%
Non-owner occupied	1,834	1,245	589	47%
Total commercial real estate	4,886	4,226	660	16%
Commercial and industrial	2,036	3,374	(1,338)	(40%)
Agriculture	4,298	6,455	(2,157)	(33%)
1st lien	4,711	5,384	(673)	(13%)
Junior lien	624	118	506	429%
Total 1-4 family	5,335	5,502	(167)	(3%)
Home equity lines of credit	2,352	3,562	(1,210)	(34%)
Other consumer	1,187	1,650	(463)	(28%)
Total consumer	3,539	5,212	(1,673)	(32%)
States and political subdivisions	—	229	(229)	(100%)
Other	1,081	519	562	108%
Total	$ 23,192	$ 33,567	$ (10,375)	(31%)

The following table summarizes the Company's charge-offs and recoveries by regulatory classification:

(Dollars in thousands)	Net Charge-Offs (Recoveries), Years ended, By Loan Type December 31, 2019	Net Charge-Offs (Recoveries), Years ended, By Loan Type December 31, 2018	Charge-Offs December 31, 2019	Recoveries December 31, 2019
Custom and owner occupied construction	$ 98	—	98	—
Pre-sold and spec construction	(18)	(352)	—	18
Total residential construction	80	(352)	98	18
Land development	(30)	(116)	42	72
Consumer land or lots	(138)	(146)	64	202
Unimproved land	(311)	(445)	—	311
Developed lots for operative builders	(18)	33	—	18
Commercial lots	(6)	1	—	6
Other construction	(142)	(19)	9	151
Total land, lot and other construction	(645)	(692)	115	760
Owner occupied	(479)	1,320	362	841
Non-owner occupied	2,015	853	2,156	141
Total commercial real estate	1,536	2,173	2,518	982
Commercial and industrial	1,472	2,449	2,385	913
Agriculture	21	16	119	98
1st lien	(12)	577	477	489
Junior lien	(303)	(371)	61	364
Total 1-4 family	(315)	206	538	853
Multifamily residential	—	(649)	—	—
Home equity lines of credit	19	(97)	73	54
Other consumer	603	261	895	292
Total consumer	622	164	968	346
Other	4,035	4,967	8,437	4,402
Total	$ 6,806	8,282	15,178	8,372

Sources of Funds

The Company's deposits have traditionally been the principal source of funds for use in lending and other business purposes. The Company also obtains funds from repayment of loans and debt securities, securities sold under agreements to repurchase ("repurchase agreements"), wholesale deposits, advances from FHLB and other borrowings. Loan repayments are a relatively stable source of funds, while interest bearing deposit inflows and outflows are significantly influenced by general interest rate levels and market conditions. Borrowings and advances may be used on a short-term basis to compensate for reductions in normal sources of funds such as deposit inflows at less than projected levels. Borrowings also may be used on a long-term basis to support expanded activities, match maturities of longer-term assets or manage interest rate risk.

Deposits

The Company has several deposit programs designed to attract both short-term and long-term deposits from the general public by providing a wide selection of accounts and rates. These programs include non-interest bearing deposit accounts and interest bearing deposit accounts such as NOW, DDA, savings, money market deposits, fixed rate certificates of deposit with maturities ranging from three months to five years, negotiated-rate jumbo certificates, and individual retirement accounts. These deposits are obtained primarily from individual and business residents in the Bank's geographic market areas. Wholesale deposits are obtained through various programs and include brokered deposits classified as NOW, DDA, money market deposit and certificate accounts. The Company's deposits are summarized below:

	December 31, 2019		December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest bearing deposits	$ 3,696,627	34%	$3,001,178	32%	$2,311,902	31%	$2,041,852	28%	$1,918,310	28%
NOW and DDA accounts	2,645,404	25%	2,391,307	25%	1,695,246	22%	1,588,550	22%	1,516,026	22%
Savings accounts	1,485,487	14%	1,346,790	14%	1,082,604	14%	996,061	13%	838,274	12%
Money market deposit accounts	1,937,141	18%	1,684,284	18%	1,512,693	20%	1,464,415	20%	1,382,028	20%
Certificate accounts	958,501	9%	901,484	9%	817,259	11%	948,714	13%	1,060,650	15%
Wholesale deposits	53,297	—%	168,724	2%	160,043	2%	332,687	4%	229,720	3%
Total interest bearing deposits	7,079,830	66%	6,492,589	68%	5,267,845	69%	5,330,427	72%	5,026,698	72%
Total deposits	$ 10,776,457	100%	$9,493,767	100%	$7,579,747	100%	$7,372,279	100%	$6,945,008	100%

The following table summarizes the amounts outstanding at December 31, 2019 for deposits of $100,000 and greater, according to the time remaining to maturity. Included in demand deposits are brokered deposits of $53 million.

(Dollars in thousands)	Certificates of Deposit	Demand Deposits	Total
Within three months	$ 118,008	6,074,403	6,192,411
Three months to six months	172,603	—	172,603
Seven months to twelve months	152,917	—	152,917
Over twelve months	131,569	—	131,569
Total	$ 575,097	6,074,403	6,649,500

For additional information on deposits, see Note 7 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Securities Sold Under Agreements to Repurchase, Federal Home Loan Bank Advances and Other Borrowings
The Company borrows money through repurchase agreements. This process involves the selling of one or more of the securities in the Company's investment portfolio and simultaneously entering into an agreement to repurchase the same securities at an agreed upon later date, typically overnight. A rate of interest is paid for the agreed period of time. The Bank enters into repurchase agreements with local municipalities, and certain customers, and has adopted procedures designed to ensure proper transfer of title and safekeeping of the underlying securities. In addition to retail repurchase agreements, the Company periodically enters into wholesale repurchase agreements as additional funding sources. The Company has not entered into reverse repurchase agreements.

The Bank is a member of the FHLB of Des Moines, which is one of eleven banks that comprise the FHLB system. The Bank is required to maintain a certain level of activity-based stock in order to borrow or to engage in other transactions with the FHLB of Des Moines. Additionally, the Bank is subject to a membership capital stock requirement that is based upon an annual calibration tied to the total assets of the Bank. The borrowings are collateralized by eligible categories of loans and debt securities (principally, securities which are obligations of, or guaranteed by, the U.S. government and its agencies), provided certain standards related to credit-worthiness have been met. Advances are made pursuant to several different credit programs, each of which has its own interest rates and range of maturities. The Bank's maximum amount of FHLB advances is limited to the lesser of a fixed percentage of the Bank's total assets or the discounted value of eligible collateral. FHLB advances fluctuate to meet seasonal and other withdrawals of deposits and to expand lending or investment opportunities of the Company.

Additionally, the Company has other sources of secured and unsecured borrowing lines from various sources that may be used from time to time.

For additional information concerning the Company's borrowings, see Note 8 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Short-term borrowings
A critical component of the Company's liquidity and capital resources is access to short-term borrowings to fund its operations. Short-term borrowings are accompanied by increased risks managed by the Bank's Asset Liability Committee ("ALCO") such as rate increases or unfavorable change in terms which would make it more costly to obtain future short-term borrowings. The Company's short-term borrowing sources include FHLB advances, federal funds purchased and retail and wholesale repurchase agreements. The Company also has access to the short-term discount window borrowing programs (i.e., primary credit) of the Federal Reserve Bank ("FRB"). FHLB advances and certain other short-term borrowings may be renewed as long-term borrowings to decrease certain risks such as liquidity or interest rate risk; however, the reduction in risks are weighed against the increased cost of funds and other risks.

The following table provides information relating to significant short-term borrowings, which consists of borrowings that mature within one year of period end:

	At or for the Years ended		
(Dollars in thousands)	December 31, 2019	December 31, 2018	December 31, 2017
Repurchase agreements			
Amount outstanding at end of period	$ 569,824	396,151	362,573
Weighted interest rate on outstanding amount	0.74%	0.87%	0.53%
Maximum outstanding at any month end	$ 569,824	408,754	497,187
Average balance	$ 470,351	383,791	413,873
Weighted-average interest rate	0.79%	0.59%	0.45%

Subordinated Debentures

In addition to funds obtained in the ordinary course of business, the Company formed or acquired financing subsidiaries for the purpose of issuing trust preferred securities that entitle the investor to receive cumulative cash distributions thereon. Subordinated debentures were issued in conjunction with the trust preferred securities and the terms of the subordinated debentures and trust preferred securities are the same. For regulatory capital purposes, the trust preferred securities are included in Tier 1 capital up to a certain limit. The Company also has subordinated debt that qualifies as Tier 2 capital. The subordinated debentures outstanding as of December 31, 2019 were $140 million, including fair value adjustments from acquisitions. For additional information regarding the subordinated debentures, see Note 9 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Contractual Obligations and Off-Balance Sheet Arrangements

In the normal course of business, there may be various outstanding commitments to obtain funding and to extend credit, such as letters of credit and un-advanced loan commitments, which are not reflected in the accompanying condensed consolidated financial statements. The Company does not anticipate any material losses as a result of these transactions.

Off-balance sheet arrangements also include any obligation related to a variable interest held in an unconsolidated entity. The Company does not anticipate any material losses as a result of these transactions. For additional information regarding the Company's interests in unconsolidated VIEs, see Note 6 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The following table represents the Company's contractual obligations as of December 31, 2019:

		Payments Due by Period						
(Dollars in thousands)	Total	Indeter-minate Maturity [1]	2020	2021	2022	2023	2024	Thereafter
Deposits	$ 10,776,457	9,817,956	706,520	150,925	55,809	23,584	21,513	150
Repurchase agreements	569,824	—	569,824	—	—	—	—	—
FHLB advances	38,611	—	31,492	5,000	889	165	780	285
Other borrowed funds	23,149	—	—	—	373	1,082	6,959	14,735
Subordinated debentures	139,914	—	—	—	—	—	—	139,914
Finance lease liabilities	8,173	—	335	257	255	261	268	6,797
Operating lease liabilities	62,788	—	3,965	3,761	3,473	3,123	3,130	45,336
Total	$ 11,618,916	9,817,956	1,312,136	159,943	60,799	28,215	32,650	207,217

[1] Represents non-interest bearing deposits and NOW, DDA, savings, and money market accounts.

Liquidity Risk

Liquidity risk is the possibility that the Company will not be able to fund present and future obligations as they come due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost. The objective of liquidity management is to maintain cash flows adequate to meet current and future needs for credit demand, deposit withdrawals, maturing liabilities and corporate operating expenses. Effective liquidity management entails three elements:

1. assessing on an ongoing basis, the current and expected future needs for funds, and ensuring that sufficient funds or access to funds exist to meet those needs at the appropriate time;
2. providing for an adequate cushion of liquidity to meet unanticipated cash flow needs that may arise from potential adverse circumstances ranging from high probability/low severity events to low probability/high severity; and
3. balancing the benefits between providing for adequate liquidity to mitigate potential adverse events and the cost of that liquidity.

The Company has a wide range of versatility in managing the liquidity and asset/liability mix. The Bank's ALCO meets regularly to assess liquidity risk, among other matters. The Company monitors liquidity and contingency funding alternatives through management reports of liquid assets (e.g., debt securities), both unencumbered and pledged, as well as borrowing capacity, both secured and unsecured, including off-balance sheet funding sources. The Company evaluates its potential funding needs across alternative scenarios and maintains contingency funding plans consistent with the Company's access to diversified sources of contingent funding.

The following table identifies certain liquidity sources and capacity available to the Company as of the dates indicated:

(Dollars in thousands)	December 31, 2019	December 31, 2018
FHLB advances		
Borrowing capacity	$ 2,360,599	2,103,860
Amount utilized	(38,589)	(444,749)
Amount available	$ 2,322,010	1,659,111
FRB discount window		
Borrowing capacity	$ 1,061,872	875,936
Amount utilized	—	—
Amount available	$ 1,061,872	875,936
Unsecured lines of credit available	$ 230,000	230,000
Unencumbered debt securities		
U.S. government and federal agency	$ 19,540	23,649
U.S. government sponsored enterprises	7,416	108,952
State and local governments	527,348	618,613
Corporate bonds	157,602	290,817
Residential mortgage-backed securities	210,356	220,653
Commercial mortgage-backed securities	401,849	273,439
Total unencumbered debt securities	$ 1,324,111	1,536,123

Capital Resources

Maintaining capital strength continues to be a long-term objective of the Company. Abundant capital is necessary to sustain growth, provide protection against unanticipated declines in asset values, and to safeguard the funds of depositors. Capital is also a source of funds for loan demand and enables the Company to effectively manage its assets and liabilities. The Company has the capacity to issue 117,187,500 shares of common stock of which 92,289,750 have been issued as of December 31, 2019. The Company also has the capacity to issue 1,000,000 shares of preferred stock of which none have been issued as of December 31, 2019. Conversely, the Company may decide to utilize a portion of its strong capital position, as it has done in the past, to repurchase shares of its outstanding common stock, depending on market price and other relevant considerations.

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The federal banking agencies implemented the Final Rules to establish a new comprehensive regulatory capital framework with a phase-in period beginning on January 1, 2015 and ending on January 1, 2019. The Final Rules implemented certain regulatory amendments based on the recommendation of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act and substantially amended the regulatory risk-based capital rules applicable to the Company. The Final Rules require the Company to hold a 2.5 percent capital conservation buffer designed to absorb losses during periods of economic stress. As of December 31, 2019, management believes the Company and Bank meet all capital adequacy requirements to which they are subject and there are no conditions or events subsequent to this date that management believes have changed the Company's or Bank's risk-based capital category.

The following table illustrates the Bank's regulatory capital ratios and the Federal Reserve's capital adequacy guidelines as of December 31, 2019:

	Total Capital (To Risk-Weighted Assets)	Tier 1 Capital (To Risk-Weighted Assets)	Common Equity Tier 1 (To Risk-Weighted Assets)	Leverage Ratio/ Tier 1 Capital (To Average Assets)
Glacier Bank actual regulatory ratios	14.64%	13.52%	13.52%	11.50%
Minimum capital requirements	8.00%	6.00%	4.50%	4.00%
Minimum capital requirements plus capital conservation buffer	10.50%	8.50%	7.00%	N/A
Well capitalized requirements	10.00%	8.00%	6.50%	5.00%

For additional information regarding regulatory capital, see Note 11 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Federal and State Income Taxes
The Company files a consolidated federal income tax return using the accrual method of accounting. All required tax returns have been timely filed. Financial institutions are subject to the provisions of the Internal Revenue Code of 1986, as amended, in the same general manner as other corporations. The federal statutory corporate income tax rate is 21 percent.

Under Montana, Idaho, Utah, Colorado and Arizona law, financial institutions are subject to a corporation income tax, which incorporates or is substantially similar to applicable provisions of the Internal Revenue Code. The corporation income tax is imposed on federal taxable income, subject to certain adjustments. State taxes are incurred at the rate of 6.75 percent in Montana, 6.925 percent in Idaho, 4.95 percent in Utah, 4.5 percent in Colorado and 4.9 percent in Arizona. Washington, Wyoming and Nevada do not impose a corporate income tax.

Income tax expense for the years ended December 31, 2019 and 2018 was $48.7 million and $40.3 million, respectively. The Company's effective income tax rate for the years ended December 31, 2019 and 2018 was 18.8 percent and 18.2 percent, respectively. The current and prior year's low effective income tax rates are due to income from tax-exempt debt securities, municipal loans and leases and benefits from federal income tax credits. Income from tax-exempt debt securities, loans and leases was $49.2 million and $56.1 million for the years ended December 31, 2019 and 2018, respectively. Benefits from federal income tax credits were $11.4 million and $9.2 million for the years ended December 31, 2019 and 2018, respectively.

The Company has equity investments in Certified Development Entities ("CDE") which have received allocations of New Markets Tax Credits ("NMTC"). Administered by the Community Development Financial Institutions Fund ("CDFI Fund") of the U.S. Department of the Treasury, the NMTC program is aimed at stimulating economic and community development and job creation in low-income communities. The federal income tax credits received are claimed over a seven-year credit allowance period. The Company also has equity investments in Low-Income Housing Tax Credits ("LIHTC") which are indirect federal subsidies used to finance the development of affordable rental housing for low-income households. The federal income tax credits are claimed over a ten-year credit allowance period. The Company has investments of $18.6 million in Qualified School Construction bonds whereby the Company receives quarterly federal income tax credits in lieu of taxable interest income. The federal income tax credits on these debt securities are subject to federal and state income tax.

Following is a list of expected federal income tax credits to be received in the years indicated.

(Dollars in thousands)	New Markets Tax Credits	Low-Income Housing Tax Credits	Debt Securities Tax Credits	Total
2020	$ 5,076	8,048	794	13,918
2021	5,312	8,841	736	14,889
2022	4,663	8,837	673	14,173
2023	4,068	8,726	640	13,434
2024	2,136	8,576	604	11,316
Thereafter	720	32,133	905	33,758
	$ 21,975	75,161	4,352	101,488

For additional information on income taxes, see Note 15 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data".

Average Balance Sheet
The following schedule provides 1) the total dollar amount of interest and dividend income of the Company for earning assets and the average yields; 2) the total dollar amount of interest expense on interest bearing liabilities and the average rates; 3) net interest and dividend income and interest rate spread; and 4) net interest margin (tax-equivalent).

(Dollars in thousands)	Years ended December 31, 2019 Average Balance	Interest and Dividends	Average Yield/ Rate	December 31, 2018 Average Balance	Interest and Dividends	Average Yield/ Rate	December 31, 2017 Average Balance	Interest and Dividends	Average Yield/ Rate
Assets									
Residential real estate loans	$ 965,553	$ 46,899	4.86%	$ 868,467	$ 40,041	4.61%	$ 744,523	$ 33,114	4.45%
Commercial loans [1]	7,084,753	373,888	5.28%	6,134,018	308,263	5.03%	4,792,720	233,744	4.88%
Consumer and other loans	881,726	44,667	5.07%	774,813	38,292	4.94%	684,129	32,584	4.76%
Total loans [2]	8,932,032	465,454	5.21%	7,777,298	386,596	4.97%	6,221,372	299,442	4.81%
Tax-exempt investment securities [3]	917,454	38,195	4.16%	1,083,999	50,239	4.63%	1,160,182	66,077	5.70%
Taxable investment securities [4]	1,935,215	56,258	2.91%	1,802,704	47,771	2.65%	1,722,264	39,727	2.31%
Total earning assets	11,784,701	559,907	4.75%	10,664,001	484,606	4.54%	9,103,818	405,246	4.45%
Goodwill and intangibles	410,561			311,321			180,014		
Non-earning assets	611,788			453,394			394,363		
Total assets	$12,807,050			$11,428,716			$9,678,195		
Liabilities									
Non-interest bearing deposits	$ 3,323,641	$ —	—%	$ 2,829,916	$ —	—%	$2,175,750	$ —	—%
NOW and DDA accounts	2,447,037	4,196	0.17%	2,242,935	3,862	0.17%	1,656,865	1,402	0.08%
Savings accounts	1,420,682	1,022	0.07%	1,298,985	862	0.07%	1,055,688	624	0.06%
Money market deposit accounts	1,787,149	5,385	0.30%	1,704,269	3,377	0.20%	1,547,659	2,407	0.16%
Certificate accounts	923,840	9,257	1.00%	919,356	6,497	0.71%	888,887	5,114	0.58%
Wholesale deposits [5]	137,442	3,420	2.49%	156,022	3,761	2.41%	275,804	7,246	2.63%
FHLB advances	265,712	9,023	3.35%	231,158	8,880	3.79%	258,528	6,748	2.57%
Repurchase agreements and other borrowed funds	625,242	10,470	1.67%	526,623	8,292	1.57%	547,307	6,323	1.16%
Total interest bearing liabilities	10,930,745	42,773	0.39%	9,909,264	35,531	0.36%	8,406,488	29,864	0.36%
Other liabilities	123,002			71,901			83,991		
Total liabilities	11,053,747			9,981,165			8,490,479		
Stockholders' Equity									
Common stock	883			836			775		
Paid-in capital	1,208,772			1,014,559			781,267		
Retained earnings	510,601			452,996			406,200		
Accumulated other comprehensive income (loss)	33,047			(20,840)			(526)		
Total stockholders' equity	1,753,303			1,447,551			1,187,716		
Total liabilities and stockholders' equity	$12,807,050			$11,428,716			$9,678,195		
Net interest income (tax-equivalent)		$ 517,134			$ 449,075			$ 375,382	
Net interest spread (tax-equivalent)			4.36%			4.18%			4.09%
Net interest margin (tax-equivalent)			4.39%			4.21%			4.12%

[1] Includes tax effect of $4.8 million, $4.1 million and $6.4 million on tax-exempt municipal loan and lease income for the years ended December 31, 2019, 2018 and 2017, respectively.

[2] Total loans are gross of the allowance for loan and lease losses, net of unearned income and include loans held for sale. Non-accrual loans were included in the average volume for the entire period.

[3] Includes tax effect of $7.8 million, $10.3 million and $22.5 million on tax-exempt debt securities income for the years ended December 31, 2019, 2018 and 2017, respectively.

[4] Includes tax effect of $1.1 million, $1.2 million and $1.3 million on federal income tax credits for the years ended December 31, 2019, 2018 and 2017, respectively.

[5] Wholesale deposits include brokered deposits classified as NOW, DDA, money market deposit and certificate accounts.

Rate/Volume Analysis

Net interest income can be evaluated from the perspective of relative dollars of change in each period. Interest income and interest expense, which are the components of net interest income, are shown in the following table on the basis of the amount of any increases (or decreases) attributable to changes in the dollar levels of the Company's interest earning assets and interest bearing liabilities ("volume") and the yields earned and paid on such assets and liabilities ("rate"). The change in interest income and interest expense attributable to changes in both volume and rates has been allocated proportionately to the change due to volume and the change due to rate.

	Year ended December 31, 2019 vs. 2018 Increase (Decrease) Due to:			Year ended December 31, 2018 vs. 2017 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume	Rate	Net	Volume	Rate	Net
Interest income						
Residential real estate loans	$ 4,476	2,382	6,858	5,513	1,414	6,927
Commercial loans (tax-equivalent)	47,779	17,846	65,625	65,416	9,103	74,519
Consumer and other loans	5,284	1,091	6,375	4,319	1,389	5,708
Investment securities (tax-equivalent)	(1,156)	(2,401)	(3,557)	157	(7,951)	(7,794)
Total interest income	56,383	18,918	75,301	75,405	3,955	79,360
Interest expense						
NOW and DDA accounts	351	(17)	334	496	1,964	2,460
Savings accounts	81	79	160	144	94	238
Money market deposit accounts	164	1,844	2,008	244	726	970
Certificate accounts	32	2,728	2,760	175	1,208	1,383
Wholesale deposits	(448)	107	(341)	(3,147)	(338)	(3,485)
FHLB advances	1,327	(1,184)	143	(714)	2,846	2,132
Repurchase agreements and other borrowed funds	1,553	625	2,178	(239)	2,208	1,969
Total interest expense	3,060	4,182	7,242	(3,041)	8,708	5,667
Net interest income (tax-equivalent)	$ 53,323	14,736	68,059	78,446	(4,753)	73,693

Net interest income (tax-equivalent) increased $68.1 million for the year ended December 31, 2019 compared to the same period in 2018. The interest income for 2019 increased over the same period last year primarily from increased loan growth in all categories, with the largest increase in the Company's commercial loan portfolio. Consistent with the prior year, increases in interest rates on existing variable rate loans and new loans also increased the loan interest income. Total interest expense increased from the prior year primarily from the increase in money market deposit accounts, certificate accounts and repurchase agreements driven by both rate and volume increases.

Net interest income (tax-equivalent) increased $73.7 million during 2018 compared to 2017. The interest income for 2018 increased over the prior year primarily from increased loan growth in all categories, with the largest increase in the Company's commercial loan portfolio. Furthermore, increases in interest rates on existing variable rate loans and new loans also increased the loan interest income. The decrease in interest income on the debt securities portfolio was primarily the result of a decrease in the tax benefit related to the tax-exempt debt securities. Total interest expense increased from the prior year primarily from an increase in deposit and FHLB interest rates, which was partially offset by the decrease in wholesale deposits.

Effect of inflation and changing prices

GAAP often requires the measurement of financial position and operating results in terms of historical dollars, without consideration for change in relative purchasing power over time due to inflation. Virtually all assets of the Company are monetary in nature; therefore, interest rates generally have a more significant impact on a company's performance than does the effect of inflation.

Cyber Risk

A failure in or breach of the Company's operational or security systems, or those of the Company's third party service providers, including as a result of cyber attacks, could disrupt business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase costs and cause losses. The Company employs detection and response mechanisms designed to contain and mitigate these risks. The Company maintains a robust information security program that is regularly reviewed, tested, and updated. This includes vulnerability and patch management programs, incident response planning, security monitoring, employee training, and security awareness testing. The Board's Risk Oversight Committee is responsible for monitoring the Company's cyber risk management profile and related programs. The Board is responsible for approval of related policies.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with GAAP often requires management to use significant judgments as well as subjective and/or complex measurements in making estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The Company considers its accounting policies for the ALLL, goodwill and fair value measurements to be critical accounting policies. The application of these policies has a significant impact on the Company's consolidated financial statements and financial results could differ significantly if different judgments or estimates were to be applied.

Allowance for Loan and Lease Losses

For information regarding the ALLL, its relation to the provision for loan losses and risk related to asset quality, see the section captioned "Allowance for Loan and Lease Losses" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 1 and 3 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Goodwill

For information on goodwill, see Notes 1 and 5 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Fair Value Measurements

For information on fair value measurements, see Note 20 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Impact of Recently Issued Accounting Standards

Authoritative accounting guidance that may have had a material impact on the Company that became effective during 2019 or 2018 includes amendments to:

- FASB Accounting Standards Codification™ ("ASC") Subtopic 310-20, *Receivables - Nonrefundable Fees and Other Costs;*
- FASB ASC Topic 842, *Leases;*
- FASB ASC Topic 815, *Derivatives and Hedging;*
- FASB ASC Topic 825, *Financial Instruments; and*
- FASB ASC Topic 606, *Revenue from Contracts with Customers*

Authoritative accounting guidance that may possibly have a material impact on the Company that is pending adoption at December 31, 2019 includes amendments to:

- FASB ASC Topic 350, *Simplifying the Test for Goodwill; and*
- FASB ASC Topic 326, *Financial Instruments - Credit Losses*

For additional information on the topics and the impact on the Company see Note 1 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The disclosures set forth in this item are qualified by the section captioned "Forward-Looking Statements" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates/prices such as interest rates, foreign currency exchange rates, commodity prices, and equity prices. The Company's primary market risk exposure is interest rate risk.

Interest Rate Risk

Interest rate risk is the potential for loss of future earnings resulting from adverse changes in the level of interest rates. Interest rate risk results from many factors and could have a significant impact on the Company's net interest income, which is the Company's primary source of net income. Net interest income is affected by changes in interest rates, the relationship between rates on interest bearing assets and liabilities, the impact of the interest fluctuations on asset prepayments and the mix of interest bearing assets and liabilities.

Although interest rate risk is inherent in the banking industry, banks are expected to have sound risk management practices in place to measure, monitor and control interest rate exposures. The objective of interest rate risk management is to contain the risks associated with interest rate fluctuations. The process involves identification and management of the sensitivity of net interest income to changing interest rates.

The ongoing monitoring and management of this risk is an important component of the Company's asset/liability management process which is governed by policies established by the Company's Board that are reviewed and approved annually. The Board delegates responsibility for carrying out the asset/liability management policies to the Bank's ALCO. In this capacity, the ALCO develops guidelines and strategies impacting the Company's asset/liability management-related activities based upon estimated market risk sensitivity, policy limits and overall market interest rate levels and trends. The Company's goal of its asset and liability management practices is to maintain or increase the level of net interest income within an acceptable level of interest rate risk.

Net interest income simulation

The Company uses a detailed and dynamic simulation model to quantify the estimated exposure of net interest income ("NII") to sustained interest rate changes. While ALCO routinely monitors simulated NII sensitivity over rolling two-year and five-year horizons, it also utilizes additional tools to monitor potential longer-term interest rate risk (e.g., economic value of equity). The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all assets and liabilities reflected on the Company's statements of financial condition. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance level for NII exposure over a one year and two year horizon, assuming no balance sheet growth. The ALCO policy rate scenarios include upward and downward shifts in interest rates for 100 bps, 200 bps, 300 bps, and 400 bps scenarios with instantaneous and parallel changes in current market yield curves. The ALCO policy also includes 200 bps and 400 bps rate scenarios with gradual parallel shifts in interest rates over 12-month and 24-month periods, respectively. Given the historically low rate environment, the Company only models and reports for a downward shift in interest rates of 100 bps. Other non-parallel rate movement scenarios are also modeled to determine the potential impact on net interest income. The additional scenarios are adjusted as the economic environment changes and provide ALCO additional interest rate risk monitoring tools to evaluate current market conditions.

The following is indicative of the Company's overall NII sensitivity analysis as of December 31, 2019 as compared to the ALCO policy limits approved by the Company's Board. The Company's interest sensitivity remained within policy limits at December 31, 2019.

	One Year		Two Years	
Rate Scenarios	Policy Limits	Estimated Sensitivity	Policy Limits	Estimated Sensitivity
-100 bps Rate shock	(10%)	(2.55%)	(15%)	(4.55%)
+100 bps Rate shock	(10%)	(0.20%)	(15%)	1.88%
+200 bps Rate shock	(10%)	(0.86%)	(15%)	2.95%
+200 bps Rate ramp	(10%)	(1.13%)	(15%)	1.02%
+300 bps Rate shock	(20%)	(1.35%)	(20%)	4.13%
+400 bps Rate shock	(20%)	(2.18%)	(20%)	4.92%
+400 bps Rate ramp	(10%)	(0.41%)	(20%)	0.95%

The preceding sensitivity analysis does not represent a forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including: the nature and timing of interest rate levels including, but not limited to, yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits and reinvestment/replacement of asset and liability cash flows. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences might change. Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal and external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in responding to or anticipating changes in interest rates.

Economic value of equity

In addition to the NII analyses, the Company calculates the economic value of equity ("EVE") which focuses on longer term interest rate risk. The EVE process models the cash flow of financial instruments to maturity and then discounts those cashflows based on prevailing interest rates in order to develop a baseline EVE. The interest rates used in the model are then shocked for an immediate increase and decrease in interest rates. The results for the shocked model are compared to the baseline results to determine the percentage change in EVE under the various scenarios. The resulting percentage change in the EVE is an indication of the longer term re-pricing risk and option risks embedded in the balance sheet. The measure is not designed to estimate the Company's capital levels, such as tangible, regulatory, or market capitalization.

The following reflects the Company's EVE maximum sensitivity policy limits and EVE analysis as of December 31, 2019:

Rate Scenarios	Policy Limits	Post Shock Ratio
-100 bps Rate shock	(10%)	(8.03%)
+100 bps Rate shock	(10%)	1.87%
+200 bps Rate shock	(20%)	0.14%
+300 bps Rate shock	(30%)	(2.01%)
+400 bps Rate shock	(40%)	(5.13%)

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors and Audit Committee
Glacier Bancorp, Inc.
Kalispell, Montana

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Glacier Bancorp, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 21, 2020, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan and Lease Losses

As described in Note 3 to the consolidated financial statements, the Company's consolidated allowance for loan and lease losses (ALLL) was approximately $124 million at December 31, 2019. The ALLL is an estimate of probable credit losses related to specifically identified loans and for losses inherent in the portfolio that have been incurred as of the balance sheet date. The determination of the ALLL requires management to exercise significant judgment and consider numerous subjective factors, including determining qualitative factors utilized to adjust historical loss rates, risk grading loans and identifying loan impairments, among others. As disclosed by management, different assumptions and conditions could result in a materially different amount for the ALLL.

We identified the valuation of the ALLL as a critical audit matter. Auditing the allowance for loan and lease losses involved a high degree of subjectivity in evaluating management's estimates, such as evaluating management's identification of credit quality indicators, assessment of economic conditions and other environmental factors, evaluating the adequacy of specific allowances associated with impaired loans and assessing the appropriateness of loan grades and the "impaired loan" designation.

The primary procedures we performed to address this critical audit matter included:

- Testing the effectiveness of controls, including those related to technology, over the ALLL including data completeness and accuracy, classifications of loans by loan segment, historical loss data, the calculation of a historical loss rate, the establishment of qualitative adjustments to the historical loss rate, identification of impaired loans and risk classification of individual loans and/or loan relationships and establishment of specific reserves on impaired loans including purchased loans that have experienced further credit deterioration and management's review controls over the ALLL balance as a whole;
- Testing of completeness and accuracy of the information utilized in the ALLL through testing of year-end loan balances, impaired loan designations, gross charge-offs and recoveries and past due amounts;
- Review of the Company's ALLL Narrative supporting the overall ALLL process is place and adjusted loss factors applied to various loan segments;
- Testing the Company's ALLL model for computational accuracy;
- Evaluating the qualitative adjustments to the historical loss rates, including assessing the basis for the adjustments and the reasonableness of the significant assumptions;
- Testing the internal and outsourced loan review functions and evaluating the accuracy of loan grades and impaired loan identification;

- Utilizing internal subject matter experts in the area of loan review to assist us in evaluating the appropriateness of loan grades, impaired loan identification and to assess the reasonableness of specific impairments allocated to impaired loans;
- Evaluating the overall reasonableness of assumptions used by considering the past performance of the Company and evaluating to trends identified within the banking industry, including, but not limited to the following:
    - Various banking industry analytic comparisons through the historical look-back period and through the most recent economic downturn
    - Timing and frequency of improvements noted in key lending ratios that are indicative of potential credit risk in the overall loan portfolio and banking industry
    - Observation of trends in the Company's overall environmental factors to ensure directional consistency, the overall economic climate and risk trends identified in the loan portfolio

Merger and Acquisition

As described in Note 22 to the consolidated financial statements, the Company consummated the acquisitions of two single bank holding companies during the year ended December 31, 2019, resulting in the expansion of the Company's operating foot print and additional goodwill of approximately $167 million being recognized on the Company's consolidated statement of financial condition. As part of the acquisitions consummated during the year, management determined that the acquisitions qualified as a business and accordingly all identifiable assets and liabilities acquired were valuated at fair value as part of the purchase price allocation as of acquisition date. The identification and valuation of such acquired assets and assumed liabilities requires management to exercise significant judgment and consider the use of outside vendors to estimate the fair value allocations.

We identified the consummated acquisitions and the valuation of acquired assets and assumed liabilities as a critical audit matter. Auditing the acquired balance sheets and acquisition related considerations involved a high degree of subjectivity in evaluating management's operational assumptions of the newly acquired divisions, fair value estimates, purchase price allocations and assessing the appropriateness of outside vendor valuation models.

The primary procedures we performed to address this critical audit matter included:

- Obtaining and reviewing executed Plan and Agreement of Merger documents to gain an understanding of the underlying terms of the consummated acquisition;
- Obtaining and reviewing management's Purchase Accounting Checklist to gain an understanding of cut-off procedures performed and asset/liability identification considerations made;
- Testing management's Purchase Accounting Spreadsheet focusing on the completeness and accuracy of the balance sheet acquired and related fair value purchase price allocations made to identified assets acquired and liabilities assumed;
- Obtaining all significant outside vendor valuation estimates and challenging management's analysis of the appropriateness of the valuations allocated to assets acquired and liabilities assumed; including but not limited to, testing all critical inputs, assumptions applied, and valuation models utilized by the outside vendors;

- Utilization of BKD Forensics & Valuation Services group to assist with testing the related fair value purchase price allocations made to identified assets acquired and liabilities assumed;
- Testing the goodwill calculation resulting from the acquisition consummated, being the difference between the total net consideration paid and the fair value of the net assets acquired;
- Reviewing and evaluating the adequacy of the disclosures made in the footnotes of the Company's SEC filings.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, on January 1, 2019, the Company adopted new accounting guidance for accounting for leases and premium amortization on purchased callable debt securities. Our opinion is not modified with respect to this matter.

BKD, LLP

We have served as the Company's auditor since 2005.

Denver, Colorado
February 21, 2020

BKD
CPAs & Advisors

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Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors and Audit Committee
Glacier Bancorp, Inc.
Kalispell, Montana

Opinion on Internal Control Over Financial Reporting

We have audited Glacier Bancorp, Inc.'s (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of the Company and our report dated February 21, 2020, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

BKD, LLP

Denver, Colorado
February 21, 2020

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)	December 31, 2019	December 31, 2018
Assets		
Cash on hand and in banks	$ 198,639	161,782
Interest bearing cash deposits	132,322	42,008
Cash and cash equivalents	330,961	203,790
Debt securities, available-for-sale	2,575,252	2,571,663
Debt securities, held-to-maturity	224,611	297,915
Total debt securities	2,799,863	2,869,578
Loans held for sale, at fair value	69,194	33,156
Loans receivable	9,512,810	8,287,549
Allowance for loan and lease losses	(124,490)	(131,239)
Loans receivable, net	9,388,320	8,156,310
Premises and equipment, net	310,309	241,528
Other real estate owned	5,142	7,480
Accrued interest receivable	56,047	54,408
Deferred tax asset	2,037	23,564
Core deposit intangible, net	63,286	49,242
Goodwill	456,418	289,586
Non-marketable equity securities	11,623	27,871
Bank-owned life insurance	109,428	82,320
Other assets	81,371	76,651
Total assets	$ 13,683,999	12,115,484
Liabilities		
Non-interest bearing deposits	$ 3,696,627	3,001,178
Interest bearing deposits	7,079,830	6,492,589
Securities sold under agreements to repurchase	569,824	396,151
Federal Home Loan Bank advances	38,611	440,175
Other borrowed funds	28,820	14,708
Subordinated debentures	139,914	134,051
Accrued interest payable	4,686	4,252
Other liabilities	164,954	116,526
Total liabilities	11,723,266	10,599,630
Commitments and Contingent Liabilities		
Stockholders' Equity		
Preferred shares, $0.01 par value per share, 1,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value per share, 117,187,500 shares authorized	923	845
Paid-in capital	1,378,534	1,051,253
Retained earnings - substantially restricted	541,050	473,183
Accumulated other comprehensive income (loss)	40,226	(9,427)
Total stockholders' equity	1,960,733	1,515,854
Total liabilities and stockholders' equity	$ 13,683,999	12,115,484
Number of common stock shares issued and outstanding	92,289,750	84,521,692

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Interest Income			
Investment securities	$ 85,504	86,499	81,968
Residential real estate loans	46,899	40,041	33,114
Commercial loans	369,107	304,164	227,356
Consumer and other loans	44,667	38,292	32,584
Total interest income	546,177	468,996	375,022
Interest Expense			
Deposits	23,280	18,359	16,793
Securities sold under agreements to repurchase	3,694	2,248	1,858
Federal Home Loan Bank advances	9,023	8,880	6,748
Other borrowed funds	215	95	79
Subordinated debentures	6,561	5,949	4,386
Total interest expense	42,773	35,531	29,864
Net Interest Income	503,404	433,465	345,158
Provision for loan losses	57	9,953	10,824
Net interest income after provision for loan losses	503,347	423,512	334,334
Non-Interest Income			
Service charges and other fees	67,934	74,887	67,717
Miscellaneous loan fees and charges	5,313	6,805	4,360
Gain on sale of loans	34,064	27,134	30,439
Gain (loss) on sale of debt securities	14,415	(1,113)	(660)
Other income	9,048	11,111	10,383
Total non-interest income	130,774	118,824	112,239
Non-Interest Expense			
Compensation and employee benefits	222,753	195,056	160,506
Occupancy and equipment	34,497	30,734	26,631
Advertising and promotions	10,621	9,566	8,405
Data processing	17,392	15,911	14,150
Other real estate owned	1,105	3,221	1,909
Regulatory assessments and insurance	3,771	5,075	4,431
Loss on termination of hedging activities	13,528	—	—
Core deposit intangible amortization	8,485	6,270	2,494
Other expenses	62,775	54,294	47,045
Total non-interest expense	374,927	320,127	265,571
Income Before Income Taxes	259,194	222,209	181,002
Federal and state income tax expense	48,650	40,331	64,625
Net Income	$ 210,544	181,878	116,377
Basic earnings per share	$ 2.39	2.18	1.50
Diluted earnings per share	$ 2.38	2.17	1.50
Dividends declared per share	$ 1.31	1.31	1.14
Average outstanding shares - basic	88,255,290	83,603,515	77,537,664
Average outstanding shares - diluted	88,385,775	83,677,185	77,607,605

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Net Income	$ 210,544	181,878	116,377
Other Comprehensive Income (Loss), Net of Tax			
Unrealized gains (losses) on available-for-sale securities	77,158	(15,608)	3,428
Reclassification adjustment for (gains) losses included in net income	(14,423)	12	636
Net unrealized gains (losses) on available-for-sale securities	62,735	(15,596)	4,064
Tax effect	(15,896)	3,952	(1,563)
Net of tax amount	46,839	(11,644)	2,501
Unrealized (losses) gains on derivatives used for cash flow hedges	(7,047)	3,286	444
Reclassification adjustment for losses included in net income	10,816	2,334	4,892
Net unrealized gains on derivatives used for cash flow hedges	3,769	5,620	5,336
Tax effect	(955)	(1,424)	(2,083)
Net of tax amount	2,814	4,196	3,253
Total other comprehensive income (loss), net of tax	49,653	(7,448)	5,754
Total Comprehensive Income	$ 260,197	174,430	122,131

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2019, 2018 and 2017

(Dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings Substantially Restricted	Accumulated Other Comp-rehensive (Loss) Income	Total
Balance at January 1, 2017	76,525,402	$ 765	749,107	374,379	(7,382)	1,116,869
Net income	—	—	—	116,377	—	116,377
Other comprehensive income	—	—	—	351	5,403	5,754
Cash dividends declared ($1.14 per share)	—	—	—	(88,848)	—	(88,848)
Stock issued in connection with acquisitions	1,381,661	14	46,659	—	—	46,673
Stock issuances under stock incentive plans	99,893	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	2,232	—	—	2,232
Balance at December 31, 2017	78,006,956	$ 780	797,997	402,259	(1,979)	1,199,057
Net income	—	—	—	181,878	—	181,878
Other comprehensive loss	—	—	—	—	(7,448)	(7,448)
Cash dividends declared ($1.31 per share)	—	—	—	(110,954)	—	(110,954)
Stock issued in connection with acquisitions	6,432,868	64	250,743	—	—	250,807
Stock issuances under stock incentive plans	81,868	1	(1)	—	—	—
Stock-based compensation and related taxes	—	—	2,514	—	—	2,514
Balance at December 31, 2018	84,521,692	$ 845	1,051,253	473,183	(9,427)	1,515,854
Net income	—	—	—	210,544	—	210,544
Other comprehensive income	—	—	—	—	49,653	49,653
Cash dividends declared ($1.31 per share)	—	—	—	(117,563)	—	(117,563)
Stock issued in connection with acquisitions	7,519,617	75	316,463	—	—	316,538
Stock issuances under stock incentive plans	248,441	3	(3)	—	—	—
Stock-based compensation and related taxes	—	—	10,821	—	—	10,821
Cumulative-effect of accounting changes	—	—	—	(25,114)	—	(25,114)
Balance at December 31, 2019	92,289,750	$ 923	1,378,534	541,050	40,226	1,960,733

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Operating Activities			
Net income	$ 210,544	181,878	116,377
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	57	9,953	10,824
Net amortization of debt securities	12,985	13,095	20,026
Net accretion of purchase accounting adjustments	(3,712)	(3,963)	(5,131)
Amortization of debt modification costs	4,630	1,649	471
Origination of loans held for sale	(983,988)	(841,451)	(889,212)
Proceeds from loans held for sale	985,345	896,145	984,506
Gain on sale of loans	(34,064)	(27,134)	(30,439)
(Gain) loss on sale of debt securities	(14,415)	1,113	660
Bank-owned life insurance income, net	(2,245)	(2,234)	(1,395)
Stock-based compensation, net of tax benefits	7,475	3,122	2,952
Depreciation and amortization of premises and equipment	18,592	16,019	14,758
Loss (gain) on sale and write-downs of other real estate owned, net	73	2,130	(1,641)
Deferred tax (benefit) expense	(356)	6,861	25,887
Amortization of core deposit intangibles	8,485	6,270	2,494
Amortization of investments in variable interest entities	9,700	7,639	4,692
Net decrease (increase) in accrued interest receivable	1,899	(2,741)	2,466
Net decrease in other assets	5,078	348	1,139
Net increase (decrease) in accrued interest payable	312	357	(135)
Net increase (decrease) in other liabilities	254	11,655	(4,558)
Net cash provided by operating activities	226,649	280,711	254,741
Investing Activities			
Sales of available-for-sale debt securities	712,113	226,842	247,748
Maturities, prepayments and calls of available-for-sale debt securities	711,838	357,876	446,695
Purchases of available-for-sale debt securities	(1,224,231)	(820,333)	(36,239)
Maturities, prepayments and calls of held-to-maturity debt securities	58,750	76,832	25,187
Principal collected on loans	3,250,220	2,691,953	2,099,292
Loan originations	(3,623,548)	(3,460,227)	(2,740,281)
Net additions to premises and equipment	(16,398)	(18,637)	(10,128)
Proceeds from sale of other real estate owned	4,670	9,385	12,335
Proceeds from redemption of non-marketable equity securities	118,516	87,221	68,610
Purchases of non-marketable equity securities	(97,597)	(87,975)	(71,396)
Proceeds from bank-owned life insurance	—	1,331	437
Investments in variable interest entities	(16,348)	(37,956)	(14,514)
Net cash received from (paid in) acquisitions	79,333	101,268	(4,091)
Net cash (used in) provided by investing activities	(42,682)	(872,420)	23,655

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Financing Activities			
Net increase in deposits	$ 285,856	599,037	(89,397)
Net increase in securities sold under agreements to repurchase	172,264	4,398	(111,077)
Net (decrease) increase in short-term Federal Home Loan Bank advances	(255,000)	85,000	137,200
Proceeds from long-term Federal Home Loan Bank advances	—	—	150,000
Repayments of long-term Federal Home Loan Bank advances	(151,160)	(1,198)	(208,192)
Net increase (decrease) in other borrowed funds	14,109	(5,059)	3,784
Cash dividends paid	(124,468)	(85,493)	(111,720)
Tax withholding payments for stock-based compensation	(1,293)	(1,214)	(1,531)
Proceeds from stock option exercises	2,896	24	—
Net cash (used in) provided by financing activities	(56,796)	595,495	(230,933)
Net increase in cash, cash equivalents and restricted cash	127,171	3,786	47,463
Cash, cash equivalents and restricted cash at beginning of period	203,790	200,004	152,541
Cash, cash equivalents and restricted cash at end of period	$ 330,961	203,790	200,004
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest	$ 42,461	35,174	30,000
Cash paid during the period for income taxes	36,817	26,489	40,219
Supplemental Disclosure of Non-Cash Investing Activities			
Transfer of debt securities from held-to-maturity to available-for-sale	$ —	270,331	—
Sale and refinancing of other real estate owned	7	406	553
Transfer of loans to other real estate owned	2,349	4,924	4,466
Right-of-use assets obtained in exchange for operating lease liabilities	9,948	—	—
Dividends declared during the period but not paid	18,686	25,726	265
Acquisitions			
Fair value of common stock shares issued	316,538	250,807	46,673
Cash consideration	16,424	16,265	17,342
Effective settlement of pre-existing receivable	—	10,054	—
Fair value of assets acquired	1,190,267	1,660,882	355,230
Liabilities assumed	1,024,137	1,383,756	321,824

See accompanying notes to consolidated financial statements.

GLACIER BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

General

Glacier Bancorp, Inc. ("Company") is a Montana corporation headquartered in Kalispell, Montana. The Company provides a full range of banking services to individuals and businesses in Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada through its wholly-owned bank subsidiary, Glacier Bank ("Bank"). The Company offers a wide range of banking products and services, including: 1) retail banking; 2) business banking; 3) real estate, commercial, agriculture and consumer loans; and 4) mortgage origination services. The Company serves individuals, small to medium-sized businesses, community organizations and public entities.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change include: 1) the determination of the allowance for loan and lease losses ("ALLL" or "allowance"); 2) the valuation of debt securities; 3) the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans; and 4) the evaluation of goodwill impairment. For the determination of the ALLL and real estate valuation estimates, management obtains independent appraisals (new or updated) for significant items. Estimates relating to investment valuations are obtained from independent third parties. Estimates relating to the evaluation of goodwill for impairment are determined based on internal calculations using significant independent party inputs.

Principles of Consolidation

The consolidated financial statements of the Company include the parent holding company and the Bank. The Bank consists of sixteen bank divisions, a treasury division, an information technology division and a centralized mortgage division. The treasury division includes the Bank's investment portfolio and wholesale borrowings, the information technology division includes the Bank's internal data processing, and the centralized mortgage division includes mortgage loan servicing and secondary market sales. The Bank divisions operate under separate names, management teams and advisory directors. The Company considers the Bank to be its sole operating segment as the Bank 1) engages in similar bank business activity from which it earns revenues and incurs expenses; 2) the operating results of the Bank are regularly reviewed by the Chief Executive Officer ("CEO") (i.e., the chief operating decision maker) who makes decisions about resources to be allocated to the Bank; and 3) financial information is available for the Bank. All significant inter-company transactions have been eliminated in consolidation.

The Bank has subsidiary interests in variable interest entities ("VIE") for which the Bank has both the power to direct the VIE's significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could potentially be significant to the VIE. These subsidiary interests are included in the Company's consolidated financial statements. The Bank also has subsidiary interests in VIEs for which the Bank does not have a controlling financial interest and is not the primary beneficiary. These subsidiary interests are not included in the Company's consolidated financial statements.

The parent holding company owns non-bank subsidiaries that have issued trust preferred securities as Tier 1 capital instruments. The trust subsidiaries are not included in the Company's consolidated financial statements. The Company's investments in the trust subsidiaries are included in other assets on the Company's statements of financial condition.

In July 2019, the Company completed the acquisition of Heritage Bancorp, the bank holding company for Heritage Bank of Nevada, a community bank based in Reno, Nevada (collectively, "Heritage"). In April 2019, the Company completed the acquisition of FNB Bancorp, the holding company for The First National Bank of Layton, a community bank based in Layton, Utah (collectively, "FNB"). In February 2018, the Company completed its acquisition of Inter-Mountain Bancorp., Inc. and its wholly-owned subsidiary, First Security Bank, a community bank based in Bozeman, Montana (collectively, "FSB"). In January 2018, the Company completed its acquisition of Columbine Capital Corp., and its wholly-owned subsidiary, Collegiate Peaks Bank, a community bank based in Buena Vista, Colorado (collectively, "Collegiate"). In April 2017, the Company completed its acquisition of TFB Bancorp, Inc. and its wholly-owned subsidiary, The Foothills Bank, a community bank based in Yuma, Arizona. The business combinations were accounted for using the acquisition method, with the results of operations included in the Company's consolidated financial statements as of the acquisition dates. For additional information relating to recent mergers and acquisitions, see Note 22.

Pending Acquisition

On September 30, 2019, the Company announced the signing of a definitive agreement to acquire State Bank Corp., the parent company of State Bank of Arizona, a community bank based in Lake Havasu City, Arizona (collectively, "SBAZ"). SBAZ provides banking services to individuals and businesses in Arizona with locations in Bullhead City, Cottonwood, Kingman, Lake Havasu City, Phoenix, Prescott Valley and Prescott. As of December 31, 2019, SBAZ had total assets of $677,654,000, gross loans of $439,237,000 and total deposits of $586,688,000. The acquisition has received regulatory approvals, is subject to other customary conditions of closing and is expected to be completed in the first quarter of 2020. Upon closing of the transaction, SBAZ will merge into the Company's Foothills Bank division and will expand the Company's footprint in Arizona to cover all major markets in the state and be a leading community bank in Arizona.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash held as demand deposits at various banks and the Federal Reserve Bank ("FRB"), interest bearing deposits, federal funds sold, and liquid investments with original maturities of three months or less. The Bank is required to maintain an average reserve balance with either the FRB or in the form of cash on hand. The required reserve balance at December 31, 2019 was $50,055,000.

Debt Securities

Debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. Debt securities held primarily for the purpose of selling in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in income. Debt securities not classified as held-to-maturity or trading are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of income taxes, as a separate component of other comprehensive income ("OCI"). Premiums and discounts on debt securities are amortized or accreted into income using a method that approximates the interest method. The objective of the interest method is to calculate periodic interest income at a constant effective yield. The Company does not have any debt securities classified as trading securities.

The Company reviews and analyzes the various risks that may be present within the investment portfolio on an ongoing basis, including market risk and credit risk. Market risk is the risk to an entity's financial condition resulting from adverse changes in the value of its holdings arising from movements in interest rates, foreign exchange rates, equity prices or commodity prices. The Company assesses the market risk of individual debt securities as well as the investment portfolio as a whole. Credit risk, broadly defined, is the risk that an issuer or counterparty will fail to perform on an obligation. A debt security is investment grade if the issuer has an adequate capacity to meet its commitment over the expected life of the investment, i.e., the risk of default is low and full and timely repayment of interest and principal is expected. To determine investment grade status for debt securities, the Company conducts due diligence of the creditworthiness of the issuer or counterparty prior to acquisition and ongoing thereafter consistent with the risk characteristics of the security and the overall risk of the investment portfolio. Credit quality due diligence takes into account the extent to which a security is guaranteed by the U.S. government and other agencies of the U.S. government. The depth of the due diligence is based on the complexity of the structure, the size of the security, and takes into account material positions and specific groups of securities or stratifications for analysis and review of similar risk positions. The due diligence includes consideration of payment performance, collateral adequacy, internal analyses, third party research and analytics, external credit ratings and default statistics.

For additional information relating to debt securities, see Note 2.

Temporary versus Other-Than-Temporary Impairment

The Company assesses individual debt securities in its investment portfolio for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant. A debt security is impaired if the fair value of the security is less than its carrying value at the financial statement date. If impairment is determined to be other-than-temporary, an impairment loss is recognized by reducing the amortized cost for the credit loss portion of the impairment with a corresponding charge to earnings for a like amount.

In evaluating impaired debt securities for other-than-temporary impairment losses, management considers 1) the severity and duration of the impairment; 2) the credit ratings of the security; and 3) the overall deal structure, including the Company's position within the structure, the overall and near term financial performance of the issuer and underlying collateral, delinquencies, defaults, loss severities, recoveries, prepayments, cumulative loss projections, discounted cash flows and fair value estimates.

In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell the security or if it is more-likely-than-not that the Company will be required to sell the debt security. In so doing, management considers contractual constraints, liquidity, capital, asset/liability management and securities portfolio objectives. If impairment is determined to be other-than-temporary and the Company does not intend to sell a debt security, and it is more-likely-than-not the Company will not be required to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion (noncredit portion) in OCI, net of tax. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in OCI for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively, as an increase to the carrying amount of the security, over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

If impairment is determined to be other-than-temporary and the Company intends to sell a debt security or it is more-likely-than-not the Company will be required to sell the security before recovery of its cost basis, it recognizes the entire amount of the other-than-temporary impairment in earnings.

For debt securities with other-than-temporary impairment, the previous amortized cost basis less the other-than-temporary impairment recognized in earnings shall be the new amortized cost basis of the security. In subsequent periods, the Company accretes into interest income the difference between the new amortized cost basis and cash flows expected to be collected prospectively over the life of the debt security.

Loans Held for Sale

Loans held for sale generally consist of long-term, fixed rate, conforming, single-family residential real estate loans intended to be sold on the secondary market. Loans held for sale are recorded at fair value as of each balance sheet date. The fair value includes the servicing value of the loans and any change in fair value is recognized in non-interest income. Fair value elections are made at the time of origination or purchase based on the Company's fair value election policy.

Loans Receivable

Loans that are intended to be held-to-maturity are reported at the unpaid principal balance less net charge-offs and adjusted for deferred fees and costs on originated loans and unamortized premiums or discounts on acquired loans. Fees and costs on originated loans and premiums or discounts on acquired loans are deferred and subsequently amortized or accreted as a yield adjustment over the expected life of the loan utilizing the interest method. The objective of the interest method is to calculate periodic interest income at a constant effective yield. When a loan is paid off prior to maturity, the remaining fees and costs on originated loans and premiums or discounts on acquired loans are immediately recognized into interest income.

The Company's loan segments, which are based on the purpose of the loan, include residential real estate, commercial, and consumer loans. The Company's loan classes, a further disaggregation of segments, include residential real estate loans (residential real estate segment), commercial real estate and other commercial loans (commercial segment), and home equity and other consumer loans (consumer segment).

Loans that are thirty days or more past due based on payments received and applied to the loan are considered delinquent. Loans are designated non-accrual and the accrual of interest is discontinued when the collection of the contractual principal or interest is unlikely. A loan is typically placed on non-accrual when principal or interest is due and has remained unpaid for ninety days or more. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current period interest income. Subsequent payments on non-accrual loans are applied to the outstanding principal balance if doubt remains as to the ultimate collectability of the loan. Interest accruals are not resumed on partially charged-off impaired loans. For other loans on non-accrual, interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

The Company considers impaired loans to be the primary credit quality indicator for monitoring the credit quality of the loan portfolio. Loans are designated impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement and, therefore, the Company has serious doubts as to the ability of such borrowers to fulfill the contractual obligation. Impaired loans include non-performing loans (i.e., non-accrual loans and accruing loans ninety days or more past due) and accruing loans under ninety days past due where it is probable payments will not be received according to the loan agreement (e.g., troubled debt restructuring). Interest income on accruing impaired loans is recognized using the interest method. The Company measures impairment on a loan-by-loan basis in the same manner for each class within the loan portfolio. An insignificant delay or shortfall in the amounts of payments would not cause a loan or lease to be considered impaired. The Company determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the facts and circumstances surrounding the loan and the borrower, including the length and reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest due.

A restructured loan is considered a troubled debt restructuring ("TDR") if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Company periodically enters into restructure agreements with borrowers whereby the loans were previously identified as TDRs. When such circumstances occur, the Company carefully evaluates the facts of the subsequent restructure to determine the appropriate accounting and under certain circumstances it may be acceptable not to account for the subsequently restructured loan as a TDR. When assessing whether a concession has been granted by the Company, any prior forgiveness on a cumulative basis is considered a continuing concession. A TDR loan is considered an impaired loan and a specific valuation allowance is established when the fair value of the collateral-dependent loan or present value of the loan's expected future cash flows (discounted at the loan's effective interest rate based on the original contractual rate) is lower than the carrying value of the impaired loan. The Company has made the following types of loan modifications, some of which were considered a TDR:

- reduction of the stated interest rate for the remaining term of the debt;
- extension of the maturity date(s) at a stated rate of interest lower than the current market rate for newly originated debt having similar risk characteristics; and
- reduction of the face amount of the debt as stated in the debt agreements.

The Company recognizes that while borrowers may experience deterioration in their financial condition, many continue to be creditworthy customers who have the willingness and capacity for debt repayment. In determining whether non-restructured or unimpaired loans issued to a single or related party group of borrowers should continue to accrue interest when the borrower has other loans that are impaired or are TDRs, the Company on a quarterly or more frequent basis performs an updated and comprehensive assessment of the willingness and capacity of the borrowers to timely and ultimately repay their total debt obligations, including contingent obligations. Such analysis takes into account current financial information about the borrowers and financially responsible guarantors, if any, including for example:

- analysis of global, i.e., aggregate debt service for total debt obligations;
- assessment of the value and security protection of collateral pledged using current market conditions and alternative market assumptions across a variety of potential future situations; and
- loan structures and related covenants.

For additional information relating to loans, see Note 3.

Allowance for Loan and Lease Losses

Based upon management's analysis of the Company's loan portfolio, the balance of the ALLL is an estimate of probable credit losses known and inherent within the Bank's loan portfolio as of the date of the consolidated financial statements. The ALLL is analyzed at the loan class level and is maintained within a range of estimated losses. Determining the adequacy of the ALLL involves a high degree of judgment and is inevitably imprecise as the risk of loss is difficult to quantify. The determination of the ALLL and the related provision for loan losses is a critical accounting estimate that involves management's judgments about known relevant internal and external environmental factors that affect loan losses. The balance of the ALLL is highly dependent upon management's evaluations of borrowers' current and prospective performance, appraisals and other variables affecting the quality of the loan portfolio. Individually significant loans and major lending areas are reviewed periodically to determine potential problems at an early date. Changes in management's estimates and assumptions are reasonably possible and may have a material impact upon the Company's consolidated financial statements, results of operations or capital.

Risk characteristics considered in the ALLL analysis applicable to each loan class within the Company's loan portfolio are as follows:

Residential Real Estate. Residential real estate loans are secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans is impacted by economic conditions within the Company's market areas that affect the value of the property securing the loans and affect the borrowers' personal incomes. Mitigating risk factors for this loan class include a large number of borrowers, geographic dispersion of market areas and the loans are originated for relatively smaller amounts.

Commercial Real Estate. Commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operation of the property securing the loan and/or the business conducted on the property securing the loan. Credit risk in these loans is impacted by the creditworthiness of a borrower, valuation of the property securing the loan and conditions within the local economies in the Company's diverse, geographic market areas.

Commercial. Commercial loans consist of loans to commercial customers for use in financing working capital needs, equipment purchases and business expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations across the Company's diverse, geographic market areas.

Home Equity. Home equity loans consist of junior lien mortgages and first and junior lien lines of credit (revolving open-end and amortizing closed-end) secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans is impacted by economic conditions within the Company's market areas that affect the value of the residential property securing the loans and affect the borrowers' personal incomes. Mitigating risk factors for this loan class are a large number of borrowers, geographic dispersion of market areas and the loans are originated for terms that range from 10 to 15 years.

Other Consumer. The other consumer loan portfolio consists of various short-term loans such as automobile loans and loans for other personal purposes. Repayment of these loans is primarily dependent on the personal income of the borrowers. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's diverse, geographic market area) and the creditworthiness of a borrower.

The ALLL consists of a specific valuation allowance component and a general valuation allowance component. The specific component relates to loans that are determined to be impaired and individually evaluated for impairment. The Company measures impairment on a loan-by-loan basis based on the present value of expected future cash flows discounted at the loan's effective interest rate, except when it is determined that repayment of the loan is expected to be provided solely by the underlying collateral. For impairment based on expected future cash flows, the Company considers all information available as of a measurement date, including past events, current conditions, potential prepayments, and estimated cost to sell when such costs are expected to reduce the cash flows available to repay or otherwise satisfy the loan. For alternative ranges of cash flows, the likelihood of the possible outcomes is considered in determining the best estimate of expected future cash flows. The effective interest rate for a loan restructured in a TDR is based on the original contractual rate. For collateral-dependent loans and real estate loans for which foreclosure or a deed-in-lieu of foreclosure is probable, impairment is measured by the fair value of the collateral, less estimated cost to sell. The fair value of the collateral is determined primarily based upon appraisal or evaluation of the underlying real property value.

The general valuation allowance component relates to probable credit losses inherent in the balance of the loan portfolio based on historical loss experience, adjusted for changes in trends and conditions of qualitative or environmental factors. The historical loss experience is based on the previous twelve quarters loss experience by loan class adjusted for risk characteristics in the existing loan portfolio. The same trends and conditions are evaluated for each class within the loan portfolio; however, the risk characteristics are weighted separately at the individual class level based on the Company's judgment and experience.

The changes in trends and conditions evaluated for each class within the loan portfolio include the following:

- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- changes in global, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- changes in the nature and volume of the portfolio and in the terms of loans;
- changes in experience, ability, and depth of lending management and other relevant staff;
- changes in the volume and severity of past due and non-accrual loans;
- changes in the quality of the Company's loan review system;
- changes in the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing portfolio.

The ALLL is increased by provisions for loan losses which are charged to expense. The portions of loan and overdraft balances determined by management to be uncollectible are charged-off as a reduction of the ALLL and recoveries of amounts previously charged-off are credited as an increase to the ALLL. The Company's charge-off policy is consistent with bank regulatory standards. Consumer loans generally are charged-off when the loan becomes over 120 days delinquent. Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as other real estate owned ("OREO") until such time as it is sold.

At acquisition date, the assets and liabilities of acquired banks are recorded at their estimated fair values which results in no ALLL carried over from acquired banks. Subsequent to acquisition, an allowance will be recorded on the acquired loan portfolios for further credit deterioration, if any.

Premises and Equipment

Premises and equipment are accounted for at cost less depreciation. Depreciation is computed on a straight-line method over the estimated useful lives or the term of the related lease. The estimated useful life for office buildings is 15 to 40 years and the estimated useful life for furniture, fixtures, and equipment is 3 to 10 years. Interest is capitalized for any significant building projects. For additional information relating to premises and equipment, see Note 4.

Leases

The Company leases certain land, premises and equipment from third parties. A lessee lease is classified as an operating lease unless it meets certain criteria (e.g., lease contains option to purchase that Company is reasonably certain to exercise), in which case it is classified as a finance lease. Effective January 1, 2019, operating leases are included in net premises and equipment and other liabilities on the Company's statements of financial condition and lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance leases are included in net premises and equipment and other borrowed funds on the Company's statements of financial condition. Right-of-use ("ROU") assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. An ROU asset represents the right to use the underlying asset for the lease term and also includes any direct costs and payments made prior to lease commencement and excludes lease incentives. When an implicit rate is not available, an incremental borrowing rate based on the information available at commencement date is used in determining the present value of the lease payments. A lease term may include an option to extend or terminate the lease when it is reasonably certain the option will be exercised. The Company accounts for lease and nonlease components (e.g., common-area maintenance) together as a single combined lease component for all asset classes. Short-term leases of 12 months or less are excluded from accounting guidance; as a result, the lease payments are recognized on a straight-line basis over the lease term and the leases are not reflected on the Company's statements of financial condition. Renewal and termination options are considered when determining short-term leases. Leases are accounted for on an individual lease level.

Lease improvements incurred at the inception of the lease are recorded as an asset and depreciated over the initial term of the lease and lease improvements incurred subsequently are depreciated over the remaining term of the lease.

The Company also leases certain premises and equipment to third parties. A lessor lease is classified as an operating lease unless it meets certain criteria that would classify it as either a sales-type lease or a direct financing lease. For additional information relating to leases, see Note 4.

Other Real Estate Owned
Property acquired by foreclosure or deed-in-lieu of foreclosure is initially recorded at fair value, less estimated selling cost, at acquisition date (i.e., cost of the property). The Company is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan upon the occurrence of either the Company obtaining legal title to the property or the borrower conveying all interest in the property through a deed-in-lieu or similar agreement. Fair value is determined as the amount that could be reasonably expected in a current sale between a willing buyer and a willing seller in an orderly transaction between market participants at the measurement date. Subsequent to the initial acquisition, if the fair value of the asset, less estimated selling cost, is less than the cost of the property, a loss is recognized in other expense and the asset carrying value is reduced. Gain or loss on disposition of OREO is recorded in non-interest income or non-interest expense, respectively. In determining the fair value of the properties on the date of transfer and any subsequent estimated losses of net realizable value, the fair value of other real estate acquired by foreclosure or deed-in-lieu of foreclosure is determined primarily based upon appraisal or evaluation of the underlying property value.

Long-lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is deemed impaired if the sum of the expected future cash flows is less than the carrying amount of the asset. If impaired, an impairment loss is recognized in other expense to reduce the carrying value of the asset to fair value. At December 31, 2019 and 2018, no long-lived assets were considered materially impaired.

Business Combinations and Intangible Assets
Acquisition accounting requires the total purchase price to be allocated to the estimated fair values of assets acquired and liabilities assumed, including certain intangible assets. Goodwill is recorded if the purchase price exceeds the net fair value of assets acquired and a bargain purchase gain is recorded in other income if the net fair value of assets acquired exceeds the purchase price.

Adjustment of the allocated purchase price may be related to fair value estimates for which all information has not been obtained of the acquired entity known or discovered during the allocation period, the period of time required to identify and measure the fair values of the assets and liabilities acquired in the business combination. The allocation period is generally limited to one year following consummation of a business combination.

Core deposit intangible represents the intangible value of depositor relationships resulting from deposit liabilities assumed in acquisitions and is amortized using an accelerated method based on an estimated runoff of the related deposits. The core deposit intangible is evaluated for impairment and recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, with any changes in estimated useful life accounted for prospectively over the revised remaining life. For additional information relating to core deposit intangibles, see Note 5.

The Company tests goodwill for impairment at the reporting unit level annually during the third quarter. The Company has identified that each of the Bank divisions are reporting units (i.e., components of the Glacier Bank operating segment) given that each division has a separate management team that regularly reviews its respective division financial information; however, the reporting units are aggregated into a single reporting unit due to the reporting units having similar economic characteristics.

The goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Examples of events and circumstances that could trigger the need for interim impairment testing include:

- a significant change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;
- a loss of key personnel;
- a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of; and
- the testing for recoverability of a significant asset group within a reporting unit.

For the goodwill impairment assessment, the Company has the option, prior to the two-step process, to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. The Company opted to bypass the qualitative assessment for its 2019 and 2018 annual goodwill impairment testing and proceed directly to the two-step goodwill impairment test. The goodwill impairment two-step process requires the Company to make assumptions and judgments regarding fair value. In the first step, the Company calculates an implied fair value based on a control premium analysis. If the implied fair value is less than the carrying value, the second step is completed to compute the impairment amount, if any, by determining the "implied fair value" of goodwill. This determination requires the allocation of the estimated fair value of the reporting units to the assets and liabilities of the reporting units. Any remaining unallocated fair value represents the "implied fair value" of goodwill, which is compared to the corresponding carrying value of goodwill to compute impairment, if any.

For additional information relating to goodwill, see Note 5.

Equity Securities

Non-marketable equity securities primarily consist of Federal Home Loan Bank ("FHLB") stock. FHLB stock is restricted because such stock may only be sold to FHLB at its par value. Due to restrictive terms, and the lack of a readily determinable fair value, FHLB stock is carried at cost and evaluated for impairment. The investments in FHLB stock are required investments related to the Company's borrowings from FHLB. FHLB obtains its funding primarily through issuance of consolidated obligations of the FHLB system. The U.S. government does not guarantee these obligations, and each of the regional FHLBs is jointly and severally liable for repayment of each other's debt.

The Company also has an insignificant amount of marketable equity securities that are included in other assets on the Company's statements of financial condition. Marketable equity securities with readily determinable fair values are measured at fair value and changes in fair value are recognized in other income. Marketable equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Bank-Owned Life Insurance

The Company maintains bank-owned life insurance policies on certain current and former employees and directors, which are recorded at their cash surrender values as determined by the insurance carriers. The appreciation in the cash surrender value of the policies is recognized as a component of other non-interest income in the Company's statements of operations.

Derivatives and Hedging Activities

For asset and liability management purposes, the Company previously entered into interest rate swap agreements to hedge against changes in forecasted cash flows due to interest rate exposures. In September 2019, the Company implemented a balance sheet strategy to increase its net interest income and net interest margin and early terminated its' pay-fixed interest rate swaps. Prior to termination, the interest rate swaps were recognized as assets or liabilities on the Company's statements of financial condition and were measured at fair value. Fair value estimates were obtained from third parties and were based on pricing models. The Company did not enter into interest rate swap agreements for trading or speculative purposes.

The Company included the impact of bilateral collateral and master netting agreements that allowed the Company to settle all interest rate swap agreements held with a single counterparty on a net basis, and to offset the net interest rate swap derivative position with the related collateral when recognizing interest rate swap derivative assets and liabilities.

The Company's interest rate swaps were contracts in which a series of interest payments were exchanged over a prescribed period. The notional amount upon which the interest payments were based was not exchanged. The swap agreements were derivative instruments and converted a portion of the Company's forecasted variable rate debt to a fixed rate (i.e., cash flow hedge) over the payment term of the interest rate swap. The effective portion of the gain or loss on the cash flow hedging instruments was initially reported as a component of OCI and subsequently reclassified into earnings in the same period during which the transaction affects earnings. For highly effective hedges, the ineffective portion of the gain or loss on derivative instruments, if any, would be amortized over the remaining life the hedging instrument using a systematic and rational method. During the years ended December 31, 2019, 2018, and 2017, the Company's cash flow hedges were determined to be fully effective.

Interest rate derivative financial instruments received hedge accounting treatment only if they were designated as a hedge and were expected to be, and were, highly effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Derivative financial instruments that did not meet specified hedging criteria were recorded at fair value with changes in fair value recorded in income. The Company's interest rate swaps were considered highly effective and met the hedge accounting criteria.

Cash flows resulting from the interest rate derivative financial instruments that were accounted for as hedges of assets and liabilities were classified in the Company's cash flow statement in the same category as the cash flows of the items being hedged. For additional information relating to interest rate swap agreements, see Note 10.

Revenue Recognition

The Company recognizes revenue when services or products are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled. The Company's principal source of revenue is interest income from debt securities and loans. Revenue from contracts with customers within the scope of Accounting Standards Codification™ ("ASC") Topic 606 was \$69,877,000, \$76,664,000, and \$69,808,000 for the years ended December 31, 2019, 2018, and 2017, respectively, and largely consisted of revenue from service charges and other fees from deposits (e.g., overdraft fees, ATM fees, debit card fees). Due to the short-term nature of the Company's contracts with customers, an insignificant amount of receivables related to such revenue was recorded at December 31, 2019 and 2018 and there were no impairment losses recognized. Policies specific to revenue from contracts with customers include the following:

Service Charges. Revenue from service charges consists of service charges and fees on deposit accounts under depository agreements with customers to provide access to deposited funds and, when applicable, pay interest on deposits. Service charges on deposit accounts may be transactional or non-transactional in nature. Transactional service charges occur in the form of a service or penalty and are charged upon the occurrence of an event (e.g., overdraft fees, ATM fees, wire transfer fees). Transactional service charges are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged. Non-transactional service charges are charges that are based on a broader service, such as account maintenance fees and dormancy fees, and are recognized on a monthly basis.

Debit Card Fees. Revenue from debit card fees includes interchange fee income from debit cards processed through card association networks. Interchange fees represent a portion of a transaction amount that the Company and other involved parties retain to compensate themselves for giving the cardholder immediate access to funds. Interchange rates are generally set by the card association networks and are based on purchase volumes and other factors. The Company records interchange fees as services are provided.

Stock-based Compensation

Stock-based compensation awards granted, comprised of restricted stock units and stock options, are valued at fair value and compensation cost is recognized on a straight-line basis over the requisite service period of each award. The impact of forfeitures of stock-based compensation awards on compensation expense is recognized as forfeitures occur. For additional information relating to stock-based compensation, see Note 12.

Advertising and Promotion

Advertising and promotion costs are recognized in the period incurred.

Income Taxes

The Company's income tax expense consists of current and deferred income tax expense. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of enacted tax law to earnings or losses. Deferred income tax expense results from changes in deferred assets and liabilities between periods. The Company recognizes interest and penalties related to income tax matters in income tax expense.

Deferred tax assets and liabilities are recognized for estimated future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The term more-likely-than-not means a likelihood of more than 50 percent. The recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to the Company's judgment. In assessing the need for a valuation allowance, the Company considers both positive and negative evidence. For additional information relating to income taxes, see Note 15.

Comprehensive Income

Comprehensive income consists of net income and OCI. OCI includes unrealized gains and losses, net of tax effect, on available-for-sale securities and derivatives used for cash flow hedges. For additional information relating to OCI, see Note 16.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period presented. Diluted earnings per share is computed by including the net increase in shares as if dilutive outstanding stock options were exercised and restricted stock units were vested, using the treasury stock method. For additional information relating to earnings per share, see Note 17.

Reclassifications

Certain reclassifications have been made to the 2018 and 2017 financial statements to conform to the 2019 presentation.

Accounting Guidance Adopted in 2019

The ASC is the Financial Accounting Standards Board's ("FASB") officially recognized source of authoritative GAAP applicable to all public and non-public non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under the authority of the federal securities laws are also sources of authoritative GAAP for the Company as an SEC registrant. All other accounting literature is non-authoritative. The following paragraphs provide descriptions of recently adopted Accounting Standards Updates ("ASU") that may have had a material effect on the Company's financial position or results of operations.

ASU 2017-08 - Receivables - Nonrefundable Fees and Other Costs. In March 2017, FASB amended ASC Subtopic 310-20 to shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments required the premium to be amortized to the earliest call date instead of the maturity date. The amendments did not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments were effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2018 and any adjustments were to be reflected as of the beginning of the year that includes the interim period. Entities were to apply the amendments on a modified retrospective basis; therefore, a cumulative-effect reduction to retained earnings of $24,102,000 was recognized as of the January 1, 2019 effective date. The Company's debt securities that were effected by the amendments were primarily in the state and local governments category. The Company's accounting policies and procedures were updated to reflect the amendments.

ASU 2016-02 - Leases. In February 2016, FASB amended ASC Topic 842 to address several aspects of lease accounting with the significant change being the recognition of lease assets and lease liabilities for leases previously classified as operating leases. The amendments were effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2018. The Company has lease agreements for which the amendments required the recognition of a lease liability to make lease payments and an ROU asset which represents its right to use the underlying asset for the lease term. An entity is permitted to elect not to restate its comparative periods in the period of adoption when transitioning to ASC Topic 842 and the Company made this election. In addition, the Company made the following elections related to implementation: 1) to not use hindsight in determining lease terms and in assessing impairment of ROU assets; and 2) to use the practical expedient package, which required no reassessment of whether existing contracts are or contain leases as well as no reassessment of lease classification for existing leases. At the date of adoption, the Company recognized an ROU asset and related lease liability on the Company's statement of financial condition of $36,178,000 and $38,220,000, respectively. The Company developed new processes to comply with the accounting and disclosure requirements of such amendments and policies and procedures were updated accordingly.

Accounting Guidance Pending Adoption at December 31, 2019

The following paragraphs provide descriptions of newly issued but not yet effective ASUs that could have a material effect on the Company's financial position or results of operations.

ASU 2017-04 - Intangibles - Goodwill and Other. In January 2017, FASB amended ASC Topic 350 to simplify the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, under these amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has goodwill from prior business combinations and performs an annual impairment test or more frequently if changes or circumstances occur that would more-likely-than-not reduce the fair value of the reporting unit below its carrying value. During the third quarter of 2019, the Company performed its impairment assessment and determined the fair value of the aggregated reporting units exceeded the carrying value, such that the Company's goodwill was not considered impaired. Although the Company cannot anticipate future goodwill impairment assessments, based on the most recent assessment, it is unlikely that an impairment amount would need to be calculated and, therefore, the Company does not anticipate a material impact from these amendments to the Company's financial position and results of operations. The current accounting policies and processes are not anticipated to change, except for the elimination of the Step 2 analysis. For additional information regarding goodwill impairment testing, see Note 5.

ASU 2016-13 - Financial Instruments - Credit Losses. In June 2016, FASB amended ASC Topic 326 to replace the incurred loss model with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for public business entities for the first interim and annual reporting periods beginning after December 15, 2019. As a result of the adoption of the amendments, the ALLL will be referred to as the allowance for credit losses ("ACL"). The Company has evaluated the impact of these amendments to the Company's financial position and results of operations and has determined the estimated range of the ACL will be between $125,600,000 and $131,300,000 and the estimated allowance for unfunded commitments will be between $12,800,000 and $13,600,000 upon adoption of the amendments. An adjustment to retained earnings, net of tax, will be required for the difference between such estimated amounts and the balances at December 31, 2019. The estimated impact to retained earnings on the date of adoption is approximately $9,955,000 to $14,808,000. The Company had developed internal implementation controls over the development of the ACL model and resulting financial statement disclosures. As part of the implementation of the amendments, the Company has adjusted its processes and procedures to calculate the ACL, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. The Company has also developed new procedures for determining an allowance for credit losses relating to held-to-maturity debt securities. In addition, the current accounting policy and procedures for other-than-temporary impairment on available-for-sale debt securities were replaced with an allowance approach. The Company engaged a third-party vendor solution and is currently in the final phases of evaluating the solution including model validation, adjusting assumptions utilized, and reviewing the accuracy of the financial statement disclosures. The project team is refining its processes and procedures which will continue during the first quarter of 2020. For additional information on the ALLL, see Note 3.

Note 2. Debt Securities

The following tables present the amortized cost, the gross unrealized gains and losses and the fair value of the Company's debt securities:

(Dollars in thousands)	December 31, 2019 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. government and federal agency	$ 20,061	48	(65)	20,044
U.S. government sponsored enterprises	42,724	953	—	43,677
State and local governments	679,784	22,694	(80)	702,398
Corporate bonds	155,665	1,938	(1)	157,602
Residential mortgage-backed securities	731,766	7,507	(549)	738,724
Commercial mortgage-backed securities	891,374	22,825	(1,392)	912,807
Total available-for-sale	2,521,374	55,965	(2,087)	2,575,252
Held-to-maturity				
State and local governments	224,611	9,785	—	234,396
Total held-to-maturity	224,611	9,785	—	234,396
Total debt securities	$ 2,745,985	65,750	(2,087)	2,809,648

(Dollars in thousands)	December 31, 2018 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. government and federal agency	$ 23,757	54	(162)	23,649
U.S. government sponsored enterprises	120,670	52	(514)	120,208
State and local governments	844,636	18,936	(11,322)	852,250
Corporate bonds	292,052	378	(1,613)	290,817
Residential mortgage-backed securities	808,537	628	(16,250)	792,915
Commercial mortgage-backed securities	490,868	3,312	(2,356)	491,824
Total available-for-sale	2,580,520	23,360	(32,217)	2,571,663
Held-to-maturity				
State and local governments	297,915	1,380	(11,039)	288,256
Total held-to-maturity	297,915	1,380	(11,039)	288,256
Total debt securities	$ 2,878,435	24,740	(43,256)	2,859,919

In November 2018, the Company adopted FASB ASU 2017-12, *Derivatives and Hedging*, and in doing so redesignated state and local government securities with a carrying value of $270,331,000, from held-to-maturity classification to available-for-sale classification. The Company considers the available-for-sale classification of these debt securities to be appropriate since it no longer had the intent to hold them to maturity. No gain or loss was recorded at the time of transfer.

The following table presents the amortized cost and fair value of available-for-sale and held-to-maturity debt securities by contractual maturity at December 31, 2019. Actual maturities may differ from expected or contractual maturities since issuers have the right to prepay obligations with or without prepayment penalties.

	December 31, 2019			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 62,317	62,555	—	—
Due after one year through five years	170,631	174,195	12,841	13,383
Due after five years through ten years	206,056	214,517	71,708	75,771
Due after ten years	459,230	472,454	140,062	145,242
	898,234	923,721	224,611	234,396
Mortgage-backed securities [1]	1,623,140	1,651,531	—	—
Total	$ 2,521,374	2,575,252	224,611	234,396

[1] Mortgage-backed securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

Proceeds from sales and calls of debt securities and the associated gains and losses that have been included in earnings are listed below:

	Years ended		
(Dollars in thousands)	December 31, 2019	December 31, 2018	December 31, 2017
Available-for-sale			
Proceeds from sales and calls of debt securities	$ 928,710	265,587	280,783
Gross realized gains [1]	18,936	443	3,369
Gross realized losses [1]	(4,513)	(455)	(4,005)
Held-to-maturity			
Proceeds from calls of debt securities	58,750	79,000	23,020
Gross realized gains [1]	2	101	204
Gross realized losses [1]	(10)	(1,202)	(228)

[1] The gain or loss on the sale or call of each debt security is determined by the specific identification method.

At December 31, 2019 and 2018, the Company had debt securities with carrying values of $1,475,752,000 and $1,333,455,000, respectively, pledged as collateral for FHLB advances, FRB discount window borrowings, securities sold under agreements to repurchase ("repurchase agreements"), interest rate swap agreements and deposits of several local government units.

Debt securities with an unrealized loss position are summarized as follows:

	December 31, 2019					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. government and federal agency	$ 464	—	9,902	(65)	10,366	(65)
State and local governments	19,044	(80)	—	—	19,044	(80)
Corporate bonds	7,378	(1)	—	—	7,378	(1)
Residential mortgage-backed securities	85,562	(234)	29,038	(315)	114,600	(549)
Commercial mortgage-backed securities	177,051	(1,293)	7,697	(99)	184,748	(1,392)
Total available-for-sale	$ 289,499	(1,608)	46,637	(479)	336,136	(2,087)

	December 31, 2018					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale						
U.S. government and federal agency	$ 4,287	(27)	10,519	(135)	14,806	(162)
U.S. government sponsored enterprises	43,400	(103)	35,544	(411)	78,944	(514)
State and local governments	72,080	(922)	232,244	(10,400)	304,324	(11,322)
Corporate bonds	119,111	(937)	114,800	(676)	233,911	(1,613)
Residential mortgage-backed securities	132,405	(833)	537,202	(15,417)	669,607	(16,250)
Commercial mortgage-backed securities	73,118	(402)	86,504	(1,954)	159,622	(2,356)
Total available-for-sale	$ 444,401	(3,224)	1,016,813	(28,993)	1,461,214	(32,217)
Held-to-maturity						
State and local governments	$ 87,392	(2,778)	126,226	(8,261)	213,618	(11,039)
Total held-to-maturity	$ 87,392	(2,778)	126,226	(8,261)	213,618	(11,039)

Based on an analysis of its debt securities with unrealized losses as of December 31, 2019 and 2018, the Company determined that none of such securities had other-than-temporary impairment and the unrealized losses were primarily the result of interest rate changes and market spreads subsequent to acquisition. The fair value of the debt securities is expected to recover as payments are received and the securities approach maturity. At December 31, 2019, management determined that it did not intend to sell debt securities with unrealized losses, and there was no expected requirement to sell any of its debt securities with unrealized losses before recovery of their amortized cost.

Note 3. Loans Receivable, Net

The Company's loan portfolio is comprised of three segments: residential real estate, commercial, and consumer and other loans. The loan segments are further disaggregated into the following classes: residential real estate, commercial real estate, other commercial, home equity and other consumer loans. The following table presents loans receivable for each portfolio class of loans:

(Dollars in thousands)		December 31, 2019	December 31, 2018
Residential real estate loans	$	926,388	887,742
Commercial loans			
Real estate		5,579,307	4,657,561
Other commercial		2,094,254	1,911,171
Total		7,673,561	6,568,732
Consumer and other loans			
Home equity		617,201	544,688
Other consumer		295,660	286,387
Total		912,861	831,075
Loans receivable		9,512,810	8,287,549
Allowance for loan and lease losses		(124,490)	(131,239)
Loans receivable, net	$	9,388,320	8,156,310
Net deferred origination (fees) costs included in loans receivable	$	(6,964)	(5,685)
Net purchase accounting (discounts) premiums included in loans receivable	$	(21,574)	(25,172)

At December 31, 2019, the Company had loans of $5,228,136,000 pledged as collateral for FHLB advances and FRB discount window. The Company is subject to regulatory limits for the amount of loans to any individual borrower and the Company is in compliance with this regulation as of December 31, 2019 and 2018. No borrower had outstanding loans or commitments exceeding 10 percent of the Company's consolidated stockholders' equity as of December 31, 2019.

Loans that are serviced for others are not reported as assets. The principal balances of these loans were $185,897,000 and $181,281,000 at December 31, 2019 and 2018, respectively. The fair value of servicing rights was insignificant at December 31, 2019 and 2018. There were no significant purchases or sales of portfolio loans during 2019, 2018 and 2017.

The Company has entered into transactions with its executive officers and directors and their affiliates. The aggregate amount of loans outstanding to such related parties at December 31, 2019 and 2018 was $57,825,000 and $59,528,000, respectively. During 2019, new loans to such related parties were $17,504,000 and repayments were $19,207,000. In management's opinion, such loans were made in the ordinary course of business and were made on substantially the same terms as those prevailing at the time for comparable transaction with other persons.

Allowance for Loan and Lease Losses

The ALLL is a valuation allowance for probable incurred credit losses. The following tables summarize the activity in the ALLL by loan class:

(Dollars in thousands)	Year ended December 31, 2019					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$ 131,239	10,631	72,448	38,160	5,811	4,189
Provision for loan losses	57	(163)	(2,704)	(23)	(863)	3,810
Charge-offs	(15,178)	(608)	(2,460)	(4,189)	(90)	(7,831)
Recoveries	8,372	251	2,212	2,181	79	3,649
Balance at end of period	$ 124,490	10,111	69,496	36,129	4,937	3,817

(Dollars in thousands)	Year ended December 31, 2018					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$ 129,568	10,798	68,515	39,303	6,204	4,748
Provision for loan losses	9,953	474	4,343	1,916	(471)	3,691
Charge-offs	(17,807)	(728)	(3,469)	(5,045)	(210)	(8,355)
Recoveries	9,525	87	3,059	1,986	288	4,105
Balance at end of period	$ 131,239	10,631	72,448	38,160	5,811	4,189

(Dollars in thousands)	Year ended December 31, 2017					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Balance at beginning of period	$ 129,572	12,436	65,773	37,823	7,572	5,968
Provision for loan losses	10,824	(1,521)	7,152	2,545	(1,103)	3,751
Charge-offs	(19,331)	(199)	(6,188)	(2,856)	(489)	(9,599)
Recoveries	8,503	82	1,778	1,791	224	4,628
Balance at end of period	$ 129,568	10,798	68,515	39,303	6,204	4,748

The following tables disclose the recorded investment in loans and the balance in the ALLL by loan class:

(Dollars in thousands)	December 31, 2019					
	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans receivable						
Individually evaluated for impairment	$ 94,504	7,804	58,609	21,475	3,745	2,871
Collectively evaluated for impairment	9,418,306	918,584	5,520,698	2,072,779	613,456	292,789
Total loans receivable	$ 9,512,810	926,388	5,579,307	2,094,254	617,201	295,660
ALLL						
Individually evaluated for impairment	$ 95	—	73	10	—	12
Collectively evaluated for impairment	124,395	10,111	69,423	36,119	4,937	3,805
Total ALLL	$ 124,490	10,111	69,496	36,129	4,937	3,817

(Dollars in thousands)	December 31, 2018 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans receivable						
Individually evaluated for impairment	$ 108,788	12,685	68,837	20,975	3,497	2,794
Collectively evaluated for impairment	8,178,761	875,057	4,588,724	1,890,196	541,191	283,593
Total loans receivable	$ 8,287,549	887,742	4,657,561	1,911,171	544,688	286,387
ALLL						
Individually evaluated for impairment	$ 3,223	83	568	2,313	39	220
Collectively evaluated for impairment	128,016	10,548	71,880	35,847	5,772	3,969
Total ALLL	$ 131,239	10,631	72,448	38,160	5,811	4,189

Substantially all of the Company’s loans receivable are with customers in the Company’s geographic market areas. Although the Company has a diversified loan portfolio, a substantial portion of its customers’ ability to honor their obligations is dependent upon the economic performance in the Company’s market areas.

Aging Analysis

The following tables present an aging analysis of the recorded investment in loans by loan class:

(Dollars in thousands)	December 31, 2019 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$ 15,944	3,403	4,946	4,685	1,040	1,870
Accruing loans 60-89 days past due	7,248	749	2,317	1,190	1,902	1,090
Accruing loans 90 days or more past due	1,412	753	64	143	—	452
Non-accrual loans	30,883	4,715	15,650	6,592	3,266	660
Total past due and non-accrual loans	55,487	9,620	22,977	12,610	6,208	4,072
Current loans receivable	9,457,323	916,768	5,556,330	2,081,644	610,993	291,588
Total loans receivable	$ 9,512,810	926,388	5,579,307	2,094,254	617,201	295,660

(Dollars in thousands)	December 31, 2018 Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Accruing loans 30-59 days past due	$ 24,312	5,251	9,477	4,282	3,213	2,089
Accruing loans 60-89 days past due	9,255	860	3,231	3,838	735	591
Accruing loans 90 days or more past due	2,018	788	—	492	428	310
Non-accrual loans	47,252	8,021	27,264	8,619	2,575	773
Total past due and non-accrual loans	82,837	14,920	39,972	17,231	6,951	3,763
Current loans receivable	8,204,712	872,822	4,617,589	1,893,940	537,737	282,624
Total loans receivable	$ 8,287,549	887,742	4,657,561	1,911,171	544,688	286,387

Impaired Loans

Loans are designated impaired when, based upon current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement and therefore, the Company has serious doubts as to the ability of such borrowers to fulfill the contractual obligation. The following tables disclose information related to impaired loans by loan class:

	At or for the Year ended December 31, 2019					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$ 5,388	—	5,343	10	—	35
Unpaid principal balance	5,388	—	5,343	10	—	35
Specific valuation allowance	95	—	73	10	—	12
Average balance	10,378	409	6,341	3,490	24	114
Loans without a specific valuation allowance						
Recorded balance	89,116	7,804	53,266	21,465	3,745	2,836
Unpaid principal balance	99,355	9,220	57,735	24,758	4,494	3,148
Average balance	93,338	9,879	59,107	18,079	3,486	2,787
Total						
Recorded balance	94,504	7,804	58,609	21,475	3,745	2,871
Unpaid principal balance	104,743	9,220	63,078	24,768	4,494	3,183
Specific valuation allowance	95	—	73	10	—	12
Average balance	103,716	10,288	65,448	21,569	3,510	2,901

	At or for the Year ended December 31, 2018					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
Loans with a specific valuation allowance						
Recorded balance	$ 19,197	1,957	9,345	7,268	120	507
Unpaid principal balance	19,491	2,220	9,345	7,268	120	538
Specific valuation allowance	3,223	83	568	2,313	39	220
Average balance	19,519	2,686	8,498	7,081	82	1,172
Loans without a specific valuation allowance						
Recorded balance	89,591	10,728	59,492	13,707	3,377	2,287
Unpaid principal balance	107,486	11,989	71,300	17,689	3,986	2,522
Average balance	106,747	10,269	73,889	17,376	3,465	1,748
Total						
Recorded balance	108,788	12,685	68,837	20,975	3,497	2,794
Unpaid principal balance	126,977	14,209	80,645	24,957	4,106	3,060
Specific valuation allowance	3,223	83	568	2,313	39	220
Average balance	126,266	12,955	82,387	24,457	3,547	2,920

Interest income recognized on impaired loans for the years ended December 31, 2019, 2018, and 2017 was not significant.

Restructured Loans

A restructured loan is considered a troubled debt restructuring if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The following tables present TDRs that occurred during the periods presented and the TDRs that occurred within the previous twelve months that subsequently defaulted during the periods presented:

	Year ended December 31, 2019					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	18	1	6	6	2	3
Pre-modification recorded balance	$ 18,508	117	8,524	9,382	214	271
Post-modification recorded balance	$ 18,476	123	8,524	9,364	214	251
TDRs that subsequently defaulted						
Number of loans	1	—	1	—	—	—
Recorded balance	$ 106	—	106	—	—	—

	Year ended December 31, 2018					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	25	4	8	10	2	1
Pre-modification recorded balance	$ 21,995	724	12,901	7,813	252	305
Post-modification recorded balance	$ 21,881	724	12,787	7,813	252	305
TDRs that subsequently defaulted						
Number of loans	1	1	—	—	—	—
Recorded balance	$ 47	47	—	—	—	—

	Year ended December 31, 2017					
(Dollars in thousands)	Total	Residential Real Estate	Commercial Real Estate	Other Commercial	Home Equity	Other Consumer
TDRs that occurred during the period						
Number of loans	32	5	13	11	2	1
Pre-modification recorded balance	$ 41,521	841	31,109	9,403	158	10
Post-modification recorded balance	$ 38,838	841	28,426	9,403	158	10
TDRs that subsequently defaulted						
Number of loans	1	—	—	1	—	—
Recorded balance	$ 18	—	—	18	—	—

The modifications for the loans designated as TDRs during the years ended December 31, 2019, 2018 and 2017 included one or a combination of the following: an extension of the maturity date, a reduction of the interest rate or a reduction in the principal amount.

In addition to the loans designated as TDRs during the period provided in the preceding tables, the Company had TDRs with pre-modification loan balances of $2,992,000, $6,793,000 and $5,987,000 for the years ended December 31, 2019, 2018 and 2017, respectively, for which OREO was received in full or partial satisfaction of the loans. The majority of such TDRs were in residential real estate for the year ended December 31, 2019 and in commercial real estate for the years ended December 31, 2018 and 2017. At December 31, 2019 and 2018, the Company had $1,744,000 and $350,000, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At December 31, 2019 and 2018, the Company had $1,504,000 and $698,000, respectively, of OREO secured by residential real estate properties.

There were $3,933,000 and $5,335,000 of additional unfunded commitments on TDRs outstanding at December 31, 2019 and 2018, respectively. The amount of charge-offs on TDRs during 2019, 2018 and 2017 was $709,000, $1,685,000 and $2,984,000, respectively.

Note 4. Premises and Equipment

Premises and equipment, net of accumulated depreciation, consist of the following:

(Dollars in thousands)	December 31, 2019	December 31, 2018
Land	$ 52,738	47,511
Buildings and construction in progress	251,151	231,854
Furniture, fixtures and equipment	96,576	90,030
Leasehold improvements	11,144	9,370
Accumulated depreciation	(148,373)	(137,237)
Net premises and equipment, excluding ROU assets	263,236	241,528
ROU assets	47,073	—
Net premises and equipment	$ 310,309	241,528

Leases

The Company leases certain land, premises and equipment from third parties. Effective January 1, 2019, ROU assets for operating and finance leases are included in net premises and equipment and lease liabilities are included in other liabilities and other borrowed funds, respectively, on the Company's statements of financial condition. The following table summarizes the Company's leases:

	December 31, 2019	
(Dollars in thousands)	Finance Leases	Operating Leases
ROU assets	$ 6,537	
Accumulated depreciation	(917)	
Net ROU assets	$ 5,620	41,453
Lease liabilities	$ 5,671	43,904
Weighted-average remaining lease term	24 years	19 years
Weighted-average discount rate	3.0%	3.7%

Maturities of lease liabilities consist of the following:

(Dollars in thousands)	December 31, 2019 Finance Leases	December 31, 2019 Operating Leases
Maturing within one year	$ 335	3,965
Maturing one year through two years	257	3,761
Maturing two years through three years	255	3,473
Maturing three years through four years	261	3,123
Maturing four years through five years	268	3,130
Thereafter	6,797	45,336
Total lease payments	8,173	62,788
Present value of lease payments		
Short-term	170	2,421
Long-term	5,501	41,483
Total present value of lease payments	5,671	43,904
Difference between lease payments and present value of lease payments	$ 2,502	18,884

The components of lease expense consist of the following:

(Dollars in thousands)	Year ended December 31, 2019
Finance lease cost	
Amortization of ROU assets	$ 101
Interest on lease liabilities	34
Operating lease cost	4,063
Short-term lease cost	431
Variable lease cost	896
Sublease income	(6)
Total lease expense	$ 5,519

Supplemental cash flow information related to leases is as follows:

(Dollars in thousands)	Year ended December 31, 2019 Finance Leases	Year ended December 31, 2019 Operating Leases
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows	$ 34	2,136
Financing cash flows	98	N/A

N/A - Not applicable

The Company also leases office space to third parties through operating leases. Rent income from these leases for the year ended December 31, 2019 was not significant.

Note 5. Other Intangible Assets and Goodwill

The following table sets forth information regarding the Company's core deposit intangibles:

(Dollars in thousands)	At or for the Years ended December 31, 2019	December 31, 2018	December 31, 2017
Gross carrying value	$ 85,506	62,977	21,649
Accumulated amortization	(22,220)	(13,735)	(7,465)
Net carrying value	$ 63,286	49,242	14,184
Aggregate amortization expense	$ 8,485	6,270	2,494
Estimated amortization expense for the years ending December 31,			
2020	$ 9,978		
2021	9,519		
2022	9,029		
2023	8,276		
2024	7,535		

Core deposit intangibles increased $22,529,000, $41,328,000 and $4,331,000 during 2019, 2018 and 2017, respectively, due to acquisitions. For additional information relating to acquisitions, see Note 22.

The following schedule discloses the changes in the carrying value of goodwill:

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Net carrying value at beginning of period	$ 289,586	177,811	147,053
Acquisitions and adjustments	166,832	111,775	30,758
Net carrying value at end of period	$ 456,418	289,586	177,811

The Company's first step in evaluating goodwill for possible impairment is a control premium analysis. The analysis first calculates the market capitalization and then adjusts such value for a control premium range which results in an implied fair value. The control premium range is determined based on historical control premiums for acquisitions that are comparable to the Company and is obtained from an independent third party. The calculated implied fair value is then compared to the book value to determine whether the Company needs to proceed to step two of the goodwill impairment assessment. The Company performed its annual goodwill impairment test during the third quarter of 2019 and determined the fair value of the aggregated reporting units exceeded the carrying value, such that the Company's goodwill was not considered impaired. In recognition there were no events or circumstances that occurred during the fourth quarter of 2019 that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value, the Company did not perform interim testing at December 31, 2019. Changes in the economic environment, operations of the aggregated reporting units, or other factors could result in the decline in the fair value of the aggregated reporting units which could result in a goodwill impairment in the future. Accumulated impairment charges were $40,159,000 as of December 31, 2019 and 2018.

Note 6. Variable Interest Entities

A VIE is a partnership, limited liability company, trust or other legal entity that meets one of the following criteria: 1) the entity's equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; 2) the holders of the equity investment at risk, as a group, lack the characteristics of a controlling financial interest; and 3) the voting rights of some holders of the equity investment at risk are disproportionate to their obligation to absorb losses or receive returns, and substantially all of the activities are conducted on behalf of the holder of equity investment at risk with disproportionately few voting rights. A VIE must be consolidated by the Company if it is deemed to be the primary beneficiary, which is the party involved with the VIE that has both: 1) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance; and 2) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company's VIEs are regularly monitored to determine if any reconsideration events have occurred that could cause the primary beneficiary status to change. A previously unconsolidated VIE is consolidated when the Company becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when the Company ceases to be the primary beneficiary or the entity is no longer a VIE.

Consolidated Variable Interest Entities

The Company has equity investments in Certified Development Entities ("CDE") which have received allocations of New Markets Tax Credits ("NMTC"). The NMTC program provides federal tax incentives to investors to make investments in distressed communities and promotes economic improvements through the development of successful businesses in these communities. The NMTC is available to investors over seven years and is subject to recapture if certain events occur during such period. The maximum exposure to loss in the CDEs is the amount of equity invested and credit extended by the Company. However, the Company has credit protection in the form of indemnification agreements, guarantees, and collateral arrangements. The Company has evaluated the variable interests held by the Company in each CDE (NMTC) investment and determined the Company does not individually meet the characteristics of a primary beneficiary; however, the related party group does meet the criteria as a group and substantially all of the activities of the CDEs either involve or are conducted on behalf of the Company. As a result, the Company is the primary beneficiary of the CDEs and their assets, liabilities, and results of operations are included in the Company's consolidated financial statements. The primary activities of the CDEs are recognized in commercial loans interest income and other borrowed funds interest expense on the Company's statements of operations and the federal income tax credit allocations from the investments are recognized in the Company's statements of operations as a component of income tax expense. Such related cash flows are recognized in loans originated, principal collected on loans and change in other borrowed funds.

The Bank is also the sole member of certain tax credit funds that make direct investments in qualified affordable housing projects (e.g., Low-Income Housing Tax Credit ["LIHTC"] partnerships). As such, the Company is the primary beneficiary of these tax credit funds and their assets, liabilities, and results of operations are included in the Company's consolidated financial statements.

The following table summarizes the carrying amounts of the consolidated VIEs' assets and liabilities included in the Company's statements of financial condition and are adjusted for intercompany eliminations. All assets presented can be used only to settle obligations of the consolidated VIEs and all liabilities presented consist of liabilities for which creditors and other beneficial interest holders therein have no recourse to the general credit of the Company.

(Dollars in thousands)	December 31, 2019	December 31, 2018
Assets		
Loans receivable	$ 84,390	80,123
Accrued interest receivable	63	96
Other assets	54,692	45,779
Total assets	$ 139,145	125,998
Liabilities		
Other borrowed funds	$ 23,149	14,527
Accrued interest payable	36	1
Other liabilities	123	125
Total liabilities	$ 23,308	14,653

Unconsolidated Variable Interest Entities

The Company has equity investments in LIHTC partnerships, both directly and through tax credit funds, with carrying values of $41,521,000 and $35,112,000 as of December 31, 2019 and 2018, respectively. The LIHTCs are indirect federal subsidies to finance low-income housing and are used in connection with both newly constructed and renovated residential rental buildings. Once a project is placed in service, it is generally eligible for the tax credit for ten years. To continue generating the tax credit and to avoid tax credit recapture, a LIHTC building must satisfy specific low-income housing compliance rules for a full fifteen years. The maximum exposure to loss in the VIEs is the amount of equity invested and credit extended by the Company. However, the Company has credit protection in the form of indemnification agreements, guarantees, and collateral arrangements. The Company has evaluated the variable interests held by the Company in each LIHTC investment and determined that the Company does not have controlling financial interests in such investments, and is not the primary beneficiary. The Company reports the investments in the unconsolidated LIHTCs as other assets on the Company's statements of financial condition. There were no impairment losses on the Company's LIHTC investments during the years ended December 31, 2019, 2018 and 2017. Future unfunded contingent commitments related to the Company's LIHTC investments at December 31, 2019 are as follows:

(Dollars in thousands)	Amount
Years ending December 31,	
2020	$ 11,916
2021	7,692
2022	7,471
2023	130
2024	309
Thereafter	419
Total	$ 27,937

The Company has elected to use the proportional amortization method, and more specifically, the practical expedient method, for the amortization of all eligible LIHTC investments and amortization expense is recognized as a component of income tax expense. The following table summarizes the amortization expense and the amount of tax credits and other tax benefits recognized for qualified affordable housing project investments during the periods presented.

	Years ended		
(Dollars in thousands)	December 31, 2019	December 31, 2018	December 31, 2017
Amortization expense	$ 6,289	4,926	2,507
Tax credits and other tax benefits recognized	8,547	6,550	3,827

The Company also owns the following trust subsidiaries, each of which issued trust preferred securities as Tier 1 capital instruments: Glacier Capital Trust II, Glacier Capital Trust III, Glacier Capital Trust IV, Citizens (ID) Statutory Trust I, Bank of the San Juans Bancorporation Trust I, First Company Statutory Trust 2001, First Company Statutory Trust 2003, FNB (UT) Statutory Trust I and FNB (UT) Statutory Trust II. The trust subsidiaries have no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the securities held by third parties. The trust subsidiaries are not included in the Company's consolidated financial statements because the sole asset of each trust subsidiary is a receivable from the Company, even though the Company owns all of the voting equity shares of the trust subsidiaries, has fully guaranteed the obligations of the trust subsidiaries and may have the right to redeem the third party securities under certain circumstances. The Company reports the trust preferred securities issued to the trust subsidiaries as subordinated debentures on the Company's statements of financial condition. For additional information on the Company's investments in trust subsidiaries, see Note 9.

Note 7. Deposits

Time deposits that meet or exceed the Federal Deposit Insurance Corporation Insurance (“FDIC”) limit of $250,000 at December 31, 2019 and 2018 were $281,054,000 and $244,999,000, respectively.

The scheduled maturities of time deposits are as follows:

(Dollars in thousands)	Amount
Years ending December 31,	
2020	$ 706,520
2021	150,925
2022	55,809
2023	23,584
2024	21,513
Thereafter	150
	$ 958,501

The Company reclassified $5,514,000 and $5,992,000 of overdraft demand deposits to loans as of December 31, 2019 and 2018, respectively. The Company has entered into deposit transactions with its executive officers, directors and their affiliates. The aggregate amount of deposits with such related parties at December 31, 2019 and 2018 was $21,723,000 and $26,260,000, respectively.

Note 8. Borrowings

The Company’s repurchase agreements totaled $569,824,000 and $396,151,000 at December 31, 2019 and 2018, respectively, and are secured by debt securities with carrying values of $711,210,000 and $511,294,000, respectively. Securities are pledged to customers at the time of the transaction in an amount at least equal to the outstanding balance and are held in custody accounts by third parties. The fair value of collateral is continually monitored and additional collateral is provided as deemed appropriate. The following tables summarize the carrying value of the Company’s repurchase agreements by remaining contractual maturity and category of collateral:

	December 31, 2019		
	Remaining Contractual Maturity of the Agreements		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
Residential mortgage-backed securities	$ 312,015	—	312,015
Commercial mortgage-backed securities	257,809	—	257,809
Total	$ 569,824	—	569,824

	December 31, 2018		
	Remaining Contractual Maturity of the Agreements		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
Residential mortgage-backed securities	$ 328,174	—	328,174
Commercial mortgage-backed securities	66,339	1,638	67,977
Total	$ 394,513	1,638	396,151

The Company's FHLB advances bear a fixed rate of interest and are subject to restrictions or penalties in the event of prepayment. The advances are collateralized by specifically pledged loans and debt securities, FHLB stock owned by the Company, and a blanket assignment of the unpledged qualifying loans and investments. In September 2019, the Company implemented a balance sheet strategy to increase its net interest income and net interest margin. The strategy included early termination of the Company's pay-fixed interest rate swaps and corresponding debt, including FHLB advances. A $3,531,000 loss was recognized on the early payment of the FHLB advances and was reported in loss on termination of hedging activities on the Company's statements of operations. The scheduled maturities of FHLB advances consist of the following:

(Dollars in thousands)	December 31, 2019 Amount	December 31, 2019 Weighted Rate	December 31, 2018 Amount	December 31, 2018 Weighted Rate
Maturing within one year	$ 31,492	1.81%	$ 285,847	2.63%
Maturing one year through two years	5,000	2.95%	1,572	3.50%
Maturing two years through three years	889	5.25%	150,370	3.77%
Maturing three years through four years	165	5.45%	918	5.25%
Maturing four years through five years	780	4.31%	204	5.45%
Thereafter	285	6.31%	1,264	4.82%
Total	$ 38,611	2.14%	$ 440,175	3.03%

The Company's other borrowings consisted of finance lease liabilities and other debt obligations through consolidation of certain VIEs. At December 31, 2019, the Company had $230,000,000 in unsecured lines of credit which are typically renewed on an annual basis with various correspondent entities.

Note 9. Subordinated Debentures

The Company's subordinated debentures are reflected in the table below. The amounts include fair value adjustments from acquisitions.

(Dollars in thousands)	December 31, 2019 Balance	December 31, 2019 Rate	Rate Structure	Maturity Date
Subordinated debentures owed to trust subsidiaries				
First Company Statutory Trust 2001	$ 3,395	5.227%	3 month LIBOR plus 3.30%	07/31/2031
First Company Statutory Trust 2003	2,497	5.197%	3 month LIBOR plus 3.25%	03/26/2033
Glacier Capital Trust II	46,393	4.736%	3 month LIBOR plus 2.75%	04/07/2034
Citizens (ID) Statutory Trust I	5,155	4.550%	3 month LIBOR plus 2.65%	06/17/2034
Glacier Capital Trust III	36,083	3.276%	3 month LIBOR plus 1.29%	04/07/2036
Glacier Capital Trust IV	30,928	3.464%	3 month LIBOR plus 1.57%	09/15/2036
Bank of the San Juans Bancorporation Trust I	1,970	3.734%	3 month LIBOR plus 1.82%	03/01/2037
FNB (UT) Statutory Trust I	4,124	5.061%	3 month LIBOR plus 3.10%	06/26/2033
FNB (UT) Statutory Trust II	1,752	3.614%	3 month LIBOR plus 1.72%	12/15/2036
Total subordinated debentures owed to trust subsidiaries	132,297			
Tier 2 subordinated debentures	7,617	6.625%	Fixed	10/01/2025
Total subordinated debentures	$ 139,914			

Subordinated Debentures Owed to Trust Subsidiaries

Trust preferred securities were issued by the Company's trust subsidiaries, the common stock of which is wholly-owned by the Company, in conjunction with the Company issuing subordinated debentures to the trust subsidiaries. The terms of the subordinated debentures are the same as the terms of the trust preferred securities. The Company guaranteed the payment of distributions and payments for redemption or liquidation of the trust preferred securities to the extent of funds held by the trust subsidiaries. The obligations of the Company under the subordinated debentures together with the guarantee and other back-up obligations, in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of all trusts under the trust preferred securities.

The trust preferred securities are subject to mandatory redemption upon repayment of the subordinated debentures at their stated maturity date or the earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption. Interest distributions are payable quarterly. The Company may defer the payment of interest at any time for a period not exceeding 20 consecutive quarters provided that the deferral period does not extend past the stated maturity. During any such deferral period, distributions on the trust preferred securities will also be deferred and the Company's ability to pay dividends on its common shares will be restricted.

Subject to prior approval by the FRB, the trust preferred securities may be redeemed at par prior to maturity at the Company's option on or after the redemption date. All of the Company's trust preferred securities have reached the redemption date and could be redeemed at the Company's option. The trust preferred securities may also be redeemed at any time in whole (but not in part) for the Trusts in the event of unfavorable changes in laws or regulations that result in 1) subsidiary trusts becoming subject to federal income tax on income received on the subordinated debentures; 2) interest payable by the Company on the subordinated debentures becoming non-deductible for federal tax purposes; 3) the requirement for the trusts to register under the Investment Company Act of 1940, as amended; or 4) loss of the ability to treat the trust preferred securities as Tier 1 capital under the FRB capital adequacy guidelines.

For regulatory capital purposes, the FRB has allowed bank holding companies to continue to include trust preferred securities in Tier 1 capital up to a certain limit. Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") require the FRB to exclude trust preferred securities from Tier 1 capital, but a permanent grandfather provision applicable to the Company permits bank holding companies with consolidated assets of less than $15 billion to continue counting existing trust preferred securities as Tier 1 capital until they mature, even after the Company's total assets exceed the $15 billion threshold as a result of organic growth. Once the Company has crossed the $15 billion threshold, any subsequent merger or acquisition would result in disqualification of the Company's combined trust preferred securities as Tier 1 capital; however, the trust preferred securities would be included in Tier 2 capital. If the Company crosses the $15 billion threshold as a direct result of an acquisition, neither the Company's nor the acquired institution's trust preferred securities would continue to qualify as Tier 1 capital, but instead would be included in Tier 2 capital. All of the Company's trust preferred securities qualified as Tier 1 capital instruments at December 31, 2019.

Tier 2 Subordinated Debentures

The Company acquired subordinated debentures with the FSB acquisition that qualify as Tier 2 capital under the applicable capital adequacy rules and regulations promulgated by the FRB. The Tier 2 subordinated debentures are not deposits and are not insured by the FDIC or any other government agency. Such obligations are subordinated to the claims of general creditors, are unsecured and are ineligible as collateral. The principal amount is due at maturity and interest distributions are payable quarterly. The Tier 2 subordinated debentures shall not be prepaid prior to the fifth anniversary of the closing date, which is September 30, 2020, except in the event the obligation no longer qualifies as Tier 2 capital ("Tier 2 capital event") or the interest payable is no longer deductible ("tax event"). Any prepayment made in connection with a Tier 2 capital event or a tax event will be subject to obtaining the prior approval of the FRB. The Company has the ability to prepay these obligations on or after the fifth anniversary of the closing date at any time with notice.

For additional information on regulatory capital, see Note 11.

Note 10. Derivatives and Hedging Activities

Interest Rate Swap Derivatives

The Company is exposed to certain risk relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate risk associated with forecasted variable rate borrowings. In September 2019, the Company implemented a balance sheet strategy to increase its net interest income and net interest margin. The strategy included early termination of the Company's pay-fixed interest rate swaps with notional amounts totaling $260,000,000. A $9,997,000 loss was recognized on the early termination of the pay-fixed interest rate swaps and was reported in loss on termination of hedging activities on the Company's statements of operations. The Company recognized interest rate swaps as either assets or liabilities at fair value in the statements of financial condition, after taking into account the effects of bilateral collateral and master netting agreements. These agreements allowed the Company to settle all interest rate swap agreements held with a single counterparty on a net basis, and to offset net interest rate swap derivative positions with related collateral, where applicable.

The interest rate swaps on variable rate borrowings were designated as cash flow hedges and were over-the-counter contracts. The contracts were entered into by the Company with a single counterparty, and the specific terms and conditions were negotiated, including forecasted notional amounts, interest rates and maturity dates. The Company was exposed to credit-related losses in the event of nonperformance by the counterparty to the agreements. The Company controlled the counterparty credit risk by maintaining bilateral collateral agreements and through monitoring policy and procedures. The Company only conducted business with primary dealers and believed that the credit risk inherent in these contracts was not significant.

The interest rate swaps that were terminated had $160,000,000 and $100,000,000 of notional amounts and began their payment terms in October 2014 and November 2015, respectively. The Company designated wholesale deposits and FHLB advances for the cash flow hedge and these hedged items were determined to be fully effective during current and prior periods. The aggregate fair value of the interest rate swaps was recorded in other liabilities with changes recorded in OCI. Interest expense recorded on the interest rate swaps totaled $5,532,000, $8,013,000 and $8,013,000 during 2019, 2018 and 2017, respectively, and was reported as a component of interest expense on deposits and FHLB advances.

The following table presents the pre-tax gains or losses recorded in OCI and the Company's statements of operations relating to the interest rate swap derivative financial instruments:

	Years ended		
(Dollars in thousands)	December 31, 2019	December 31, 2018	December 31, 2017
Interest rate swaps			
Amount of (loss) gain recognized in OCI	$ (7,047)	3,286	444
Amount of loss reclassified from OCI to interest expense	(10,816)	(2,334)	(4,892)

The following table discloses the offsetting of financial assets and interest rate swap derivative assets.

	December 31, 2019			December 31, 2018		
(Dollars in thousands)	Gross Amount of Recognized Assets	Gross Amount Offset in the Statements of Financial Position	Net Amounts of Assets Presented in the Statements of Financial Position	Gross Amount of Recognized Assets	Gross Amount Offset in the Statements of Financial Position	Net Amounts of Assets Presented in the Statements of Financial Position
Interest rate swaps	$ —	—	—	139	(139)	—

The following table discloses the offsetting of financial liabilities and interest rate swap derivative liabilities.

	December 31, 2019			December 31, 2018		
(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Position	Net Amounts of Liabilities Presented in the Statements of Financial Position	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Position	Net Amounts of Liabilities Presented in the Statements of Financial Position
Interest rate swaps	$ —	—	—	3,908	(139)	3,769

Residential Real Estate Derivatives

At December 31, 2019, the Company had residential real estate derivatives for commitments ("interest rate locks") to fund certain residential real estate loans to be sold into the secondary market. At December 31, 2019 and 2018, loan commitments with interest rate lock commitments totaled $84,803,000 and $59,974,000, respectively, and the fair value of the related derivatives was included in other assets with corresponding changes recorded in gain on sale of loans. The Company enters into free-standing derivatives to mitigate interest rate risk for most residential real estate loans to be sold. These derivatives include forward commitments to sell to-be-announced ("TBA") securities which are used to economically hedge the interest rate risk associated with such loans and unfunded commitments. At December 31, 2019 and 2018, TBA commitments were $82,000,000 and $40,750,000, respectively, and the fair value of the related derivatives was included in other liabilities with corresponding changes recorded in gain on sale of loans. The Company doesn't enter into a commitment to sell these loans to an investor until the loan is funded and is ready to be delivered to the investor. Due to the forward sales commitments being short-term in nature, the corresponding derivatives are not significant. For all other residential real estate loans to be sold, the Company enters into "best efforts" forward sales commitments for the future delivery of loans to third party investors when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. Forward sales commitments on a "best efforts" basis are not designated in hedge relationships until the loan is funded.

Note 11. Regulatory Capital

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. The federal banking agencies implemented final rules ("Final Rules") to establish a new comprehensive regulatory capital framework with a phase-in period beginning on January 1, 2015 and ending on January 1, 2019. The Final Rules implemented certain regulatory amendments based on the recommendation of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act and substantially amended the regulatory risk-based capital rules applicable to the Company. The Final Rules require the Company to hold a 2.5 percent capital conservation buffer designed to absorb losses during periods of economic stress. The Company has elected to opt-out of the requirement to include most components of accumulated other comprehensive income. As of December 31, 2019, management believes the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide the following classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. If undercapitalized, capital distributions (including payment of a dividend) are generally restricted, as is paying management fees to its bank holding company. Failure to meet minimum capital requirements set forth in the table below can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and Bank's financial condition. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

At December 31, 2019 and 2018, the most recent regulatory notifications categorized the Company and Bank as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized, the Bank must maintain minimum total capital, Tier 1 capital, Common Tier 1 capital and Tier 1 Leverage ratios as set forth in the table below. There are no conditions or events since December 31, 2019 that management believes have changed the Company's or Bank's risk-based capital category.

Current guidance from the Federal Reserve provides, among other things, that dividends per share on the Company's common stock generally should not exceed earnings per share, measured over the previous four fiscal quarters. In certain circumstances, Montana law also places limits or restrictions on a bank's ability to declare and pay dividends.

The following tables illustrate the FRB's adequacy guidelines and the Company's and the Bank's compliance with those guidelines:

	December 31, 2019					
	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$ 1,661,249	14.95%	$ 888,986	8.00%	N/A	N/A
Glacier Bank	1,625,527	14.64%	888,110	8.00%	$ 1,110,137	10.00%
Tier 1 capital (to risk-weighted assets)						
Consolidated	1,528,683	13.76%	666,740	6.00%	N/A	N/A
Glacier Bank	1,500,461	13.52%	666,082	6.00%	888,110	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
Consolidated	1,398,183	12.58%	500,055	4.50%	N/A	N/A
Glacier Bank	1,500,461	13.52%	499,562	4.50%	721,589	6.50%
Tier 1 capital (to average assets)						
Consolidated	1,528,683	11.65%	524,987	4.00%	N/A	N/A
Glacier Bank	1,500,461	11.50%	522,040	4.00%	652,550	5.00%

	December 31, 2018					
	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$ 1,437,889	14.70%	$ 782,453	8.00%	N/A	N/A
Glacier Bank	1,401,991	14.35%	781,430	8.00%	$ 976,787	10.00%
Tier 1 capital (to risk-weighted assets)						
Consolidated	1,308,017	13.37%	586,840	6.00%	N/A	N/A
Glacier Bank	1,279,778	13.10%	586,072	6.00%	781,430	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
Consolidated	1,183,517	12.10%	440,130	4.50%	N/A	N/A
Glacier Bank	1,279,778	13.10%	439,554	4.50%	634,911	6.50%
Tier 1 capital (to average assets)						
Consolidated	1,308,017	11.35%	461,130	4.00%	N/A	N/A
Glacier Bank	1,279,778	11.08%	462,072	4.00%	577,590	5.00%

N/A - Not applicable

Note 12. Stock-based Compensation Plan

The Company's stock-based compensation plan, The 2015 Stock Incentive Plan, provides incentives and awards to select employees and directors of the Company and permits the granting of stock options, share appreciation rights, restricted shares, restricted share units, unrestricted shares and performance awards. At December 31, 2019, the number of shares available to award to employees and directors under the 2015 Stock Incentive Plan was 2,041,367.

During 2019 and 2018, the Company also assumed stock-based compensation plans through the Heritage and Collegiate acquisitions, respectively. No additional shares may be awarded from these plans.

Restricted Stock Units

The Company has awarded restricted stock units to select employees and directors under the 2015 Stock Incentive Plan. Common stock is issued as vesting restrictions lapse, which may be immediately or according to the terms of a vesting schedule. Restricted stock units may not be sold, pledged or otherwise transferred until restrictions have lapsed. The recipient does not have the right to vote or to receive dividends until the restricted stock unit has vested. The fair value of the restricted stock unit is the closing price of the Company's common stock on the award date.

Compensation expense related to restricted stock units for the years ended December 31, 2019, 2018 and 2017 was $3,803,000, $3,684,000 and $3,764,000, respectively, and the recognized income tax benefit related to this expense was $964,000, $934,000 and $1,452,000. As of December 31, 2019, total unrecognized compensation expense of $4,434,000 related to restricted stock units is expected to be recognized over a weighted-average period of 2.0 years.

The fair value of restricted stock units that vested during the years ended December 31, 2019, 2018 and 2017 was $3,536,000, $3,319,000 and $3,746,000, respectively, and the income tax benefit related to these awards was $1,124,000, $1,126,000 and $1,998,000, respectively. Upon vesting of restricted stock units, the shares are issued from the Company's authorized stock balance.

The following table summarizes the restricted stock unit activity for the year ended December 31, 2019:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2018	181,983	$ 36.03
Granted	101,978	42.96
Vested	(103,473)	34.17
Forfeited	(3,827)	40.80
Non-vested at December 31, 2019	176,661	41.01

The average remaining contractual term on non-vested restricted stock units at December 31, 2019 is 0.9 years. The aggregate intrinsic value of the non-vested restricted stock units at December 31, 2019 was $8,125,000.

Stock Options

During 2019 and 2018, the Company assumed stock options through the Heritage and Collegiate acquisitions, respectively. All stock option shares and per share market values were adjusted at acquisition dates. The option price at which the Company's common stock may be purchased upon exercise of stock options granted under the plans must be at least equal to the per share market value of such stock at the date the option was granted. Upon exercise of the stock options, the shares are obtained from the Company's authorized and unissued stock. Prior to the Heritage and Collegiate stock options being assumed, there were no outstanding stock options and there were no stock options granted during 2019, 2018 or 2017.

Compensation expense related to stock options for the years ended December 31, 2019 and 2018 was $5,415,000 and $19,000, respectively, and the recognized income tax benefit related to this expense was $1,372,000 and $5,000. As of December 31, 2019, total unrecognized compensation expense of $23,000 related to stock options is expected to be recognized over a weighted-average period of 1.4 years.

The total intrinsic value of options exercised during the years ended December 31, 2019 and 2018 was $4,491,000 and $13,000, respectively, and the income tax benefit related to these exercises was $934,000 and $0. Total cash received from options exercised during the years ended December 31, 2019 and 2018 was $2,896,000 and $24,000, respectively.

Changes in shares granted for stock options for the year ended December 31, 2019 are summarized as follows:

	Stock Options	Weighted-Average Exercise Price
Outstanding at December 31, 2018	26,167	$ 25.84
Acquisitions	235,246	16.70
Exercised	(175,161)	16.53
Forfeited	(2,787)	25.84
Outstanding at December 31, 2019	83,465	19.61
Exercisable at December 31, 2019	72,315	18.65

The average remaining contractual term on outstanding stock options at December 31, 2019 is 5.7 years. The aggregate intrinsic value of the outstanding stock options at December 31, 2019 was $2,202,000.

Note 13. Employee Benefit Plans

The Company provides its qualified employees with a comprehensive benefit program, including health, dental and vision insurance, life and accident insurance, short- and long-term disability coverage, vacation and sick leave, 401(k) plan, profit sharing plan, stock-based compensation plan, deferred compensation plans, and supplemental executive retirement plan. The Company has elected to self-insure certain costs related to employee health, dental and vision benefit programs. Costs resulting from non-insured losses are expensed as incurred. The Company has purchased insurance that limits its exposure on an individual claim basis for the employee health benefit programs.

401(k) Plan and Profit Sharing Plan

The Company's 401(k) plan and profit sharing plan have safe harbor and employer discretionary components. To be considered eligible for the 401(k) and safe harbor components of the profit sharing plan, an employee must be 21 years of age and employed for three full months. Employees are eligible to participate in the 401(k) plan the first day of the month once they have met the eligibility requirements. To be considered eligible for the employer discretionary contribution of the profit sharing plan, an employee must be 21 years of age, worked one full calendar quarter, worked 501 hours in the plan year and be employed as of the last day of the plan year. Participants are at all times fully vested in all contributions.

The profit sharing plan contributions consists of a 3 percent non-elective safe harbor contribution fully funded by the Company and an employer discretionary contribution. The employer discretionary contribution depends on the Company's profitability. The total profit sharing plan expense for the years ended December 31, 2019, 2018, and 2017 was $17,227,000, $15,406,000 and $10,100,000 respectively.

The 401(k) plan allows eligible employees under the age of 50 to contribute up to 60 percent, and those 50 and older to contribute up to 100 percent of their eligible annual compensation up to the limit set annually by the Internal Revenue Service ("IRS"). The Company matches an amount equal to 50 percent of the first 6 percent of an employee's contribution. The Company's contribution to the 401(k) for the years ended December 31, 2019, 2018 and 2017 was $4,236,000, $4,037,000, and $3,224,000, respectively.

Deferred Compensation Plans

The Company has non-funded deferred compensation plans for directors, senior officers and certain nonemployee service providers. The plans provide for participants' elective deferral of cash payments of up to 50 percent of a participants' salary and 100 percent of bonuses and directors fees. As of December 31, 2019 and 2018, the liability related to the plans was $8,660,000 and $8,371,000, respectively, and was included in other liabilities. The total amount deferred for the plans was $766,000, $803,000, and $739,000, for the years ending December 31, 2019, 2018, and 2017, respectively. The participant receives an earnings credit at a rate equal to 50 percent of the Company's return on average equity. Total expense incurred for the years ended December 31, 2019, 2018, and 2017 for the plans was $480,000, $502,000 and $481,000, respectively.

In connection with several acquisitions, the Company assumed the obligations of deferred compensation plans for certain key employees. As of December 31, 2019 and 2018, the liability related to the acquired plans was $17,661,000 and $13,651,000, respectively, and was included in other liabilities. Total expense incurred for the years ended December 31, 2019, 2018, and 2017 for the acquired plans was $992,000, $801,000 and $588,000, respectively.

Supplemental Executive Retirement Plan

The Company has a Supplemental Executive Retirement Plan ("SERP") which is intended to supplement payments due to participants upon retirement under the Company's other qualified plans. The Company credits the participant's account on an annual basis for an amount equal to employer contributions that would have otherwise been allocated to the participant's account under the tax-qualified plans were it not for limitations imposed by the IRS or the participation in the non-funded deferred compensation plan. Eligible employees include participants of the non-funded deferred compensation plan and employees whose benefits were limited as a result of IRS regulations. As of December 31, 2019 and 2018, the liability related to the SERP was $2,713,000 and $2,287,000, respectively, and was included in other liabilities. The Company's required contribution to the SERP for the years ended December 31, 2019, 2018 and 2017 was $662,000, $423,000, and $287,000, respectively. The participant receives an earnings credit at a rate equal to 50 percent of the Company's return on average equity. Total expense incurred for the years ended December 31, 2019, 2018, and 2017 for the SERP was $120,000, $122,000, and $105,000, respectively.

Note 14. Other Expenses

Other expenses consists of the following:

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Mergers and acquisition expenses	$ 8,503	6,618	2,130
Consulting and outside services	8,276	7,219	5,331
Debit card expenses	5,968	5,104	7,189
Employee expenses	5,138	4,412	4,160
Telephone	4,827	4,487	3,891
Business development	4,446	4,172	3,333
VIE amortization and other expenses	4,341	3,618	3,109
Loan expenses	4,140	3,462	3,080
Postage	3,437	3,104	2,684
Printing and supplies	3,256	3,264	2,661
Checking and operating expenses	1,757	1,234	1,760
Accounting and audit fees	1,712	1,456	1,848
ATM expenses	1,700	1,217	1,720
Legal fees	1,245	1,763	1,106
Other	4,029	3,164	3,043
Total other expenses	$ 62,775	54,294	47,045

Note 15. Federal and State Income Taxes

The Tax Cuts and Jobs Act ("Tax Act") was enacted on December 22, 2017 and resulted in a decrease in the federal marginal corporate income tax rate from 35 percent to 21 percent beginning in 2018. As a result of the Tax Act, the Company incurred a one-time tax expense adjustment of $19,699,000 during 2017 due to the Company's revaluation of the deferred tax assets and deferred tax liabilities ("net deferred tax asset"). This adjustment is reflected in the following tables.

The following table is a summary of consolidated income tax expense:

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Current			
Federal	$ 34,461	21,510	29,555
State	14,545	11,960	9,183
Total current income tax expense	49,006	33,470	38,738
Deferred [1]			
Federal	(279)	5,372	22,246
State	(77)	1,489	3,641
Total deferred income tax (benefit) expense	(356)	6,861	25,887
Total income tax expense	$ 48,650	40,331	64,625

[1] Includes tax benefit of operating loss carryforwards of $317,000, $443,000 and $644,000 for the years ended December 31, 2019, 2018, and 2017, respectively.

Combined federal and state income tax expense differs from that computed at the federal statutory corporate income tax rate as follows:

	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Federal statutory rate	21.0%	21.0%	35.0%
State taxes, net of federal income tax benefit	4.4%	4.8%	4.6%
Tax rate change	—%	—%	10.9%
Tax-exempt interest income	(3.7%)	(5.0%)	(10.5%)
Tax credits	(4.5%)	(4.2%)	(3.2%)
Other, net	1.6%	1.6%	(1.1%)
Effective income tax rate	18.8%	18.2%	35.7%

The tax effect of temporary differences which give rise to a significant portion of deferred tax assets and deferred tax liabilities are as follows:

(Dollars in thousands)	December 31, 2019	December 31, 2018
Deferred tax assets		
Allowance for loan and lease losses	$ 31,698	33,313
Operating lease liabilities	11,127	—
Deferred compensation	7,447	6,251
Employee benefits	6,646	5,652
Acquisition fair market value adjustments	5,480	6,380
Net operating loss carryforwards	2,209	2,525
Available-for-sale debt securities	—	2,244
Other	3,891	3,841
Total gross deferred tax assets	68,498	60,206
Deferred tax liabilities		
Intangibles	(16,469)	(12,667)
Depreciation of premises and equipment	(13,987)	(10,776)
Available-for-sale debt securities	(13,652)	—
Operating lease ROU assets	(10,506)	—
Deferred loan costs	(7,311)	(6,436)
FHLB stock dividends	(1,486)	(2,722)
Other	(3,050)	(4,041)
Total gross deferred tax liabilities	(66,461)	(36,642)
Net deferred tax asset	$ 2,037	23,564

The Company has federal net operating loss carryforwards of $8,038,000 expiring between 2030 and 2035. The Company has Colorado net operating loss carryforwards of $11,989,000 expiring between 2031 and 2032. The net operating loss carryforwards originated from acquisitions.

The Company and the Bank file consolidated income tax returns in the following jurisdictions: federal, Montana, Idaho, Utah, Colorado and Arizona. Wyoming, Washington and Nevada do not impose a corporate income tax. All required income tax returns have been timely filed. The following schedule summarizes the years that remain subject to examination as of December 31, 2019:

	Years ended December 31,
Federal	2005, 2008, 2010, 2011, 2012, 2013, 2016, 2017 and 2018
Montana	2016, 2017 and 2018
Idaho	2016, 2017 and 2018
Utah	2016, 2017 and 2018
Colorado	2010, 2011, 2012, 2015, 2016, 2017 and 2018
Arizona	2015, 2016, 2017 and 2018

The Company had no unrecognized income tax benefits as of December 31, 2019 and 2018. The Company recognizes interest related to unrecognized income tax benefits in interest expense and penalties are recognized in other expense. Interest expense and penalties recognized with respect to income tax liabilities for the years ended December 31, 2019, 2018, and 2017 was not significant. The Company had no accrued liabilities for the payment of interest or penalties at December 31, 2019 and 2018.

The Company has assessed the need for a valuation allowance and determined that a valuation allowance was not necessary at December 31, 2019 and 2018. The Company believes that it is more-likely-than-not that the Company's deferred tax assets will be realizable by offsetting future taxable income from reversing taxable temporary differences and anticipated future taxable income (exclusive of reversing temporary differences). In its assessment, the Company considered its strong earnings history, no history of income tax credit carryforwards expiring unused, and no expected future net operating losses (for tax purposes).

Note 16. Accumulated Other Comprehensive Income (Loss)

The following table illustrates the activity within accumulated other comprehensive income (loss) by component, net of tax:

(Dollars in thousands)	Gains (Losses) on Available-For-Sale Debt Securities	Losses on Derivatives Used for Cash Flow Hedges	Total
Balance at January 1, 2017	$ 1,639	(9,021)	(7,382)
Other comprehensive income before reclassifications	2,110	248	2,358
Reclassification adjustments for losses included in net income	391	3,005	3,396
Reclassifications to retained earnings [1]	891	(1,242)	(351)
Net current period other comprehensive income	3,392	2,011	5,403
Balance at December 31, 2017	$ 5,031	(7,010)	(1,979)
Other comprehensive (loss) income before reclassifications	(11,653)	2,453	(9,200)
Reclassification adjustments for losses included in net income	9	1,743	1,752
Net current period other comprehensive (loss) income	(11,644)	4,196	(7,448)
Balance at December 31, 2018	$ (6,613)	(2,814)	(9,427)
Other comprehensive income (loss) before reclassifications	57,607	(5,261)	52,346
Reclassification adjustments for (gains) losses included in net income	(10,768)	8,075	(2,693)
Net current period other comprehensive income	46,839	2,814	49,653
Balance at December 31, 2019	$ 40,226	—	40,226

[1] Reclassifications were due to the one-time revaluation of the net deferred tax asset as a result of the Tax Act. For additional information on the Tax Act, see Note 15.

Note 17. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period presented. Diluted earnings per share is computed by including the net increase in shares as if dilutive outstanding restricted stock units were vested and stock options were exercised, using the treasury stock method.

Basic and diluted earnings per share has been computed based on the following:

(Dollars in thousands, except per share data)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Net income available to common stockholders, basic and diluted	$ 210,544	181,878	116,377
Average outstanding shares - basic	88,255,290	83,603,515	77,537,664
Add: dilutive restricted stock units and stock options	130,485	73,670	69,941
Average outstanding shares - diluted	88,385,775	83,677,185	77,607,605
Basic earnings per share	$ 2.39	2.18	1.50
Diluted earnings per share	$ 2.38	2.17	1.50
Restricted stock units and stock options excluded from the diluted average outstanding share calculation [1]	—	1,357	—

[1] Anti-dilution occurs when the unrecognized compensation cost per share of a restricted stock units or the exercise price of a stock option exceeds the market price of the Company's stock.

Note 18. Parent Holding Company Information (Condensed)

The following condensed financial information was the unconsolidated information for the parent holding company:

Condensed Statements of Financial Condition

(Dollars in thousands)	December 31, 2019	December 31, 2018
Assets		
Cash on hand and in banks	$ 23,491	22,000
Interest bearing cash deposits	34,345	42,299
Cash and cash equivalents	57,836	64,299
Other assets	12,966	12,639
Investment in subsidiaries	2,063,011	1,612,115
Total assets	$ 2,133,813	1,689,053
Liabilities and Stockholders' Equity		
Dividends payable	$ 18,821	25,726
Subordinated debentures	139,914	134,051
Other liabilities	14,345	13,422
Total liabilities	173,080	173,199
Common stock	923	845
Paid-in capital	1,378,534	1,051,253
Retained earnings	541,050	473,183
Accumulated other comprehensive income (loss)	40,226	(9,427)
Total stockholders' equity	1,960,733	1,515,854
Total liabilities and stockholders' equity	$ 2,133,813	1,689,053

Condensed Statements of Operations and Comprehensive Income

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Income			
Dividends from subsidiaries	$ 142,000	153,574	119,000
Intercompany charges for services	20,661	16,523	14,299
Other income	513	1,284	228
Total income	163,174	171,381	133,527
Expenses			
Compensation and employee benefits	25,806	20,873	17,864
Other operating expenses	15,118	12,201	10,425
Total expenses	40,924	33,074	28,289
Income before income tax benefit and equity in undistributed net income of subsidiaries	122,250	138,307	105,238
Income tax benefit	4,488	3,773	2,983
Income before equity in undistributed net income of subsidiaries	126,738	142,080	108,221
Equity in undistributed net income of subsidiaries	83,806	39,798	8,156
Net Income	$ 210,544	181,878	116,377
Comprehensive Income	$ 260,197	174,430	122,131

Condensed Statements of Cash Flows

(Dollars in thousands)	Years ended December 31, 2019	December 31, 2018	December 31, 2017
Operating Activities			
Net income	$ 210,544	181,878	116,377
Adjustments to reconcile net income to net cash provided by operating activities:			
Subsidiary income in excess of dividends distributed	(83,806)	(39,798)	(8,156)
Stock-based compensation, net of tax benefits	1,320	1,219	1,460
Net change in other assets and other liabilities	1,854	(3,209)	5,191
Net cash provided by operating activities	129,912	140,090	114,872
Investing Activities			
Sales of available-for-sale debt securities	—	—	27
Net additions of premises and equipment	(114)	(300)	(79)
Proceeds from sale of marketable equity securities	89	—	114
Equity contributions to subsidiaries	(13,485)	(24,989)	(17,565)
Net cash used in investing activities	(13,510)	(25,289)	(17,503)
Financing Activities			
Net decrease in other borrowed funds	—	(11,543)	—
Cash dividends paid	(124,468)	(85,493)	(111,720)
Tax withholding payments for stock-based compensation	(1,293)	(1,214)	(1,531)
Proceeds from stock option exercises	2,896	24	—
Net cash used in financing activities	(122,865)	(98,226)	(113,251)
Net (decrease) increase in cash, cash equivalents and restricted cash	(6,463)	16,575	(15,882)
Cash, cash equivalents and restricted cash at beginning of period	64,299	47,724	63,606
Cash, cash equivalents and restricted cash at end of period	$ 57,836	64,299	47,724

Note 19. Unaudited Quarterly Financial Data (Condensed)

Summarized unaudited quarterly financial data is as follows:

	Quarters ended 2019			
(Dollars in thousands, except per share data)	March 31	June 30	September 30	December 31
Interest income	$ 126,116	132,385	142,395	145,281
Interest expense	10,904	12,089	10,947	8,833
Net interest income	115,212	120,296	131,448	136,448
Provision for loan losses	57	—	—	—
Net interest income after provision for loan losses	115,155	120,296	131,448	136,448
Non-interest income	28,474	30,834	43,049	28,417
Non-interest expense	82,830	86,170	110,675	95,252
Income before income taxes	60,799	64,960	63,822	69,613
Federal and state income tax expense	11,667	12,568	12,212	12,203
Net income	$ 49,132	52,392	51,610	57,410
Basic earnings per share	$ 0.58	0.61	0.57	0.62
Diluted earnings per share	$ 0.58	0.61	0.57	0.62

	Quarters ended 2018			
(Dollars in thousands, except per share data)	March 31	June 30	September 30	December 31
Interest income	$ 103,066	117,715	122,905	125,310
Interest expense	7,774	9,161	9,160	9,436
Net interest income	95,292	108,554	113,745	115,874
Provision for loan losses	795	4,718	3,194	1,246
Net interest income after provision for loan losses	94,497	103,836	110,551	114,628
Non-interest income	26,086	31,828	32,416	28,494
Non-interest expense	73,627	81,795	82,829	81,876
Income before income taxes	46,956	53,869	60,138	61,246
Federal and state income tax expense	8,397	9,485	10,802	11,647
Net income	$ 38,559	44,384	49,336	49,599
Basic earnings per share	$ 0.48	0.53	0.58	0.59
Diluted earnings per share	$ 0.48	0.52	0.58	0.59

Note 20. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Transfers in and out of Level 1 (quoted prices in active markets), Level 2 (significant other observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date. There were no transfers between fair value hierarchy levels during the years ended December 31, 2019, 2018, and 2017.

Recurring Measurements

The following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended December 31, 2019.

Debt securities, available-for-sale: fair value for available-for-sale debt securities is estimated by obtaining quoted market prices for identical assets, where available. If such prices are not available, fair value is based on independent asset pricing services and models, the inputs of which are market-based or independently sourced market parameters, including but not limited to, yield curves, interest rates, volatilities, market spreads, prepayments, defaults, recoveries, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Where Level 1 or Level 2 inputs are not available, such securities are classified as Level 3 within the hierarchy.

Fair value determinations of available-for-sale debt securities are the responsibility of the Company's corporate accounting and treasury departments. The Company obtains fair value estimates from independent third party vendors on a monthly basis. The vendors' pricing system methodologies, procedures and system controls are reviewed to ensure they are appropriately designed and operating effectively. The Company reviews the vendors' inputs for fair value estimates and the recommended assignments of levels within the fair value hierarchy. The review includes the extent to which markets for debt securities are determined to have limited or no activity, or are judged to be active markets. The Company reviews the extent to which observable and unobservable inputs are used as well as the appropriateness of the underlying assumptions about risk that a market participant would use in active markets, with adjustments for limited or inactive markets. In considering the inputs to the fair value estimates, the Company places less reliance on quotes that are judged to not reflect orderly transactions, or are non-binding indications. In assessing credit risk, the Company reviews payment performance, collateral adequacy, third party research and analyses, credit rating histories and issuers' financial statements. For those markets determined to be inactive or limited, the valuation techniques used are models for which management has verified that discount rates are appropriately adjusted to reflect illiquidity and credit risk.

Loans held for sale, at fair value: loans held for sale measured at fair value, for which an active secondary market and readily available market prices exist, are initially valued at the transaction price and are subsequently valued by using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market data, such as outstanding commitments from third party investors. Loans held for sale measured at fair value are classified within Level 2. Included in gain on sale of loans were net gains of $661,000, net losses of $155,000 and net gains of $994,000 for the years ended December 31, 2019, 2018 and 2017, respectively, from the changes in fair value of loans held for sale measured at fair value. Electing to measure loans held for sale at fair value reduces certain timing differences and better matches changes in fair value of these assets with changes in the value of the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting.

Interest rate swap derivative financial instruments: fair values for interest rate swap derivative financial instruments were based upon the estimated amounts to settle the contracts considering current interest rates and were calculated using discounted cash flows that were observable or that could be corroborated by observable market data and, therefore, were classified within Level 2 of the valuation hierarchy. The inputs used to determine fair value included the 3 month LIBOR forward curve to estimate variable rate cash inflows and the Fed Funds Effective Swap Rate to estimate the discount rate. The estimated variable rate cash inflows were compared to the fixed rate outflows and such difference was discounted to a present value to estimate the fair value of the interest rate swaps. The Company also obtained and compared the reasonableness of the pricing from an independent third party.

The following tables disclose the fair value measurement of assets and liabilities measured at fair value on a recurring basis:

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities, available-for-sale				
U.S. government and federal agency	$ 20,044	—	20,044	—
U.S. government sponsored enterprises	43,677	—	43,677	—
State and local governments	702,398	—	702,398	—
Corporate bonds	157,602	—	157,602	—
Residential mortgage-backed securities	738,724	—	738,724	—
Commercial mortgage-backed securities	912,807	—	912,807	—
Loans held for sale, at fair value	69,194	—	69,194	—
Total assets measured at fair value on a recurring basis	$ 2,644,446	—	2,644,446	—

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities, available-for-sale				
U.S. government and federal agency	$ 23,649	—	23,649	—
U.S. government sponsored enterprises	120,208	—	120,208	—
State and local governments	852,250	—	852,250	—
Corporate bonds	290,817	—	290,817	—
Residential mortgage-backed securities	792,915	—	792,915	—
Commercial mortgage-backed securities	491,824	—	491,824	—
Loans held for sale, at fair value	33,156	—	33,156	—
Total assets measured at fair value on a recurring basis	$ 2,604,819	—	2,604,819	—
Interest rate swaps	$ 3,769	—	3,769	—
Total liabilities measured at fair value on a recurring basis	$ 3,769	—	3,769	—

Non-recurring Measurements

The following is a description of the inputs and valuation methodologies used for assets recorded at fair value on a non-recurring basis, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended December 31, 2019.

Other real estate owned: OREO is initially recorded at fair value less estimated cost to sell, establishing a new cost basis. OREO is subsequently accounted for at lower of cost or fair value less estimated cost to sell. Estimated fair value of OREO is based on appraisals or evaluations (new or updated). OREO is classified within Level 3 of the fair value hierarchy.

Collateral-dependent impaired loans, net of ALLL: loans included in the Company's loan portfolio for which it is probable that the Company will not collect all principal and interest due according to contractual terms are considered impaired. Estimated fair value of collateral-dependent impaired loans is based on the fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company's credit department reviews appraisals for OREO and collateral-dependent loans, giving consideration to the highest and best use of the collateral. The appraisal or evaluation (new or updated) is considered the starting point for determining fair value. The valuation techniques used in preparing appraisals or evaluations (new or updated) include the cost approach, income approach, sales comparison approach, or a combination of the preceding valuation techniques. The key inputs used to determine the fair value of the collateral-dependent loans and OREO include selling costs, discounted cash flow rate or capitalization rate, and adjustment to comparables. Valuations and significant inputs obtained by independent sources are reviewed by the Company for accuracy and reasonableness. The Company also considers other factors and events in the environment that may affect the fair value. The appraisals or evaluations (new or updated) are reviewed at least quarterly and more frequently based on current market conditions, including deterioration in a borrower's financial condition and when property values may be subject to significant volatility. After review and acceptance of the collateral appraisal or evaluation (new or updated), adjustments to the impaired loan or OREO may occur. The Company generally obtains appraisals or evaluations (new or updated) annually.

The following tables disclose the fair value measurement of assets with a recorded change during the period resulting from re-measuring the assets at fair value on a non-recurring basis:

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other real estate owned	$ 1,983	—	—	1,983
Collateral-dependent impaired loans, net of ALLL	23	—	—	23
Total assets measured at fair value on a non-recurring basis	$ 2,006	—	—	2,006

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Fair Value December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other real estate owned	$ 1,011	—	—	1,011
Collateral-dependent impaired loans, net of ALLL	6,985	—	—	6,985
Total assets measured at fair value on a non-recurring basis	$ 7,996	—	—	7,996

Non-recurring Measurements Using Significant Unobservable Inputs (Level 3)

The following tables present additional quantitative information about assets measured at fair value on a non-recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

(Dollars in thousands)	Fair Value December 31, 2019	Valuation Technique	Unobservable Input	Range (Weighted-Average) [1]
Other real estate owned	$ 1,983	Sales comparison approach	Selling costs	6.0% - 10.0% (7.3%)
			Adjustment to comparables	0.0% - 11.1% (4.5%)
Collateral-dependent impaired loans, net of ALLL	$ 9	Cost approach	Selling costs	10.0% - 10.0% (10.0%)
	14	Sales comparison approach	Adjustment to comparables	0.0% - 0.0% (0.0%)
	$ 23			

(Dollars in thousands)	Fair Value December 31, 2018	Valuation Technique	Unobservable Input	Range (Weighted-Average) [1]
Other real estate owned	$ 1,011	Sales comparison approach	Selling costs	8.0% - 15.0% (9.2%)
Collateral-dependent impaired loans, net of ALLL	$ 2,384	Sales comparison approach	Selling costs	8.0% - 20.0% (9.9%)
	4,601	Combined approach	Selling costs	10.0% - 10.0% (10.0%)
	$ 6,985			

[1] The range for selling cost inputs represents reductions to the fair value of the assets.

Fair Value of Financial Instruments

The following tables present the carrying amounts, estimated fair values and the level within the fair value hierarchy of the Company's financial instruments not carried at fair value. Receivables and payables due in one year or less, equity securities without readily determinable fair values and deposits with no defined or contractual maturities are excluded.

		Fair Value Measurements At the End of the Reporting Period Using		
(Dollars in thousands)	Carrying Amount December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 330,961	330,961	—	—
Debt securities, held-to-maturity	224,611	—	234,396	—
Loans receivable, net of ALLL	9,388,320	—	—	9,438,121
Total financial assets	$ 9,943,892	330,961	234,396	9,438,121
Financial liabilities				
Term deposits	$ 1,011,798	—	1,017,505	—
FHLB advances	38,611	—	38,787	—
Repurchase agreements and other borrowed funds	598,644	—	598,644	—
Subordinated debentures	139,914	—	124,094	—
Total financial liabilities	$ 1,788,967	—	1,779,030	—

(Dollars in thousands)	Carrying Amount December 31, 2018	Fair Value Measurements At the End of the Reporting Period Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 203,790	203,790	—	—
Debt securities, held-to-maturity	297,915	—	288,256	—
Loans receivable, net of ALLL	8,156,310	—	—	8,079,112
Total financial assets	$ 8,658,015	203,790	288,256	8,079,112
Financial liabilities				
Term deposits	$ 1,070,208	—	1,069,777	—
FHLB advances	440,175	—	439,615	—
Repurchase agreements and other borrowed funds	410,859	—	410,859	—
Subordinated debentures	134,051	—	120,302	—
Total financial liabilities	$ 2,055,293	—	2,040,553	—

Note 21. Commitments and Contingent Liabilities

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit, and involve, to varying degrees, elements of credit risk. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Company had the following outstanding commitments:

(Dollars in thousands)	December 31, 2019	December 31, 2018
Unused lines of credit	$ 2,422,828	1,948,516
Letters of credit	59,845	45,263
Total outstanding commitments	$ 2,482,673	1,993,779

The Company is a defendant in legal proceedings arising in the normal course of business. In the opinion of management, the disposition of pending litigation will not have a material affect on the Company's consolidated financial position, results of operations or liquidity.

Note 22. Mergers and Acquisitions

The Company has completed the following acquisitions during the last two years:

- Heritage Bancorp and its wholly-owned subsidiary, Heritage Bank of Nevada
- FNB Bancorp and its wholly-owned subsidiary, The First National Bank of Layton
- Inter-Mountain Bancorp., Inc. and its wholly-owned subsidiary, First Security Bank
- Columbine Capital Corp., and its wholly-owned subsidiary, Collegiate Peaks Bank

The assets and liabilities of Heritage, FNB, FSB and Collegiate were recorded on the Company's consolidated statements of financial condition at their estimated fair values as of their acquisition dates and their results of operations have been included in the Company's consolidated statements of operations since those dates. The following table discloses the fair value estimates of the consideration transferred, the total identifiable net assets acquired and the resulting goodwill arising from the acquisitions:

(Dollars in thousands)	Heritage July 31, 2019	FNB April 30, 2019	FSB February 28, 2018	Collegiate January 31, 2018
Fair value of consideration transferred				
Fair value of Company shares issued	$ 229,385	87,153	181,043	69,764
Cash consideration	16,420	4	—	16,265
Effective settlement of a pre-existing relationship	—	—	—	10,054
Total fair value of consideration transferred	245,805	87,157	181,043	96,083
Recognized amounts of identifiable assets acquired and liabilities assumed				
Identifiable assets acquired				
Cash and cash equivalents	84,446	11,311	24,397	93,136
Debt securities	103,231	47,247	271,865	42,177
Loans receivable	615,279	245,485	627,767	354,252
Core deposit intangible [1]	13,566	8,963	31,053	10,275
Accrued income and other assets	35,891	24,848	78,274	15,911
Total identifiable assets acquired	852,413	337,854	1,033,356	515,751
Liabilities assumed				
Deposits	722,220	274,646	877,586	437,171
Borrowings [2]	—	7,273	36,880	12,509
Accrued expenses and other liabilities	9,919	10,079	14,175	5,435
Total liabilities assumed	732,139	291,998	928,641	455,115
Total identifiable net assets	120,274	45,856	104,715	60,636
Goodwill recognized	$ 125,531	41,301	76,328	35,447

[1] The core deposit intangible for each acquisition was determined to have an estimated life of 10 years.
[2] Borrowings assumed with the FSB acquisition included Tier 2 subordinated debentures of $5,864,000.

2019 Acquisitions

On July 31, 2019, the Company acquired 100 percent of the outstanding common stock of Heritage Bancorp and its wholly-owned subsidiary, Heritage Bank of Nevada, a community bank based in Reno, Nevada. Heritage provides banking services to individuals and businesses throughout northern Nevada with locations in Carson City, Gardnerville, Reno and Sparks. The acquisition expands the Company's franchise footprint into Northern Nevada. Heritage operates as a new division of the Bank under its existing name and management team. The Heritage acquisition was valued at $245,805,000 and resulted in the Company issuing 5,473,276 shares of its common stock and paying $16,420,000 in cash in exchange for all of Heritage's outstanding common stock shares. The fair value of the Company shares issued was determined on the basis of the closing market price of the Company's common stock on the July 31, 2019 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and Heritage. None of the goodwill is deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange.

On April 30, 2019, the Company acquired 100 percent of the outstanding common stock of FNB Bancorp and its wholly-owned subsidiary, The First National Bank of Layton, a community bank based in Layton, Utah. FNB provides banking services to individuals and businesses throughout Utah with locations in Layton, Bountiful, Clearfield and Draper. The acquisition expands the Company's presence in Utah and sets the stage for future growth. The branches of FNB, along with the Bank's branches operating in Utah, operate as a new division of the Bank under the name "First Community Bank Utah, division of Glacier Bank." The FNB acquisition was valued at $87,157,000 and resulted in the Company issuing 2,046,341 shares of its common stock. The fair value of the Company shares issued was determined on the basis of the closing market price of the Company's common stock on the April 30, 2019 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and FNB. None of the goodwill is deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange.

The fair values of the Heritage and FNB assets acquired include loans with fair values of $615,279,000 and $245,485,000, respectively. The gross principal and contractual interest due under the Heritage and FNB contracts was $617,214,000 and $248,226,000, respectively. The Company evaluated the principal and contractual interest due at each of the acquisition dates and determined that insignificant amounts were not expected to be collectible.

The Company incurred $3,032,000 and $4,979,000 of expenses in connection with the Heritage and FNB acquisitions, respectively, during the year ended December 31, 2019. Mergers and acquisition expenses are included in other expense in the Company's consolidated statements of operations and consist of third-party costs, conversion costs and employee retention and severance expenses.

Total income consisting of net interest income and non-interest income of the acquired operations of Heritage was approximately $15,506,000 and net income was approximately $2,286,000 from July 31, 2019 to December 31, 2019. Total income consisting of net interest income and non-interest income of the acquired operations of FNB was approximately $12,607,000 and net income was approximately $249,000 from April 30, 2019 to December 31, 2019. The following unaudited pro forma summary presents consolidated information of the Company as if the Heritage and FNB acquisitions had occurred on January 1, 2018:

	Year ended	
(Dollars in thousands)	December 31, 2019	December 31, 2018
Net interest income and non-interest income	662,937	608,787
Net income	216,045	209,004

2018 Acquisitions

On February 28, 2018, the Company acquired 100 percent of the outstanding common stock of Inter-Mountain Bancorp., Inc. and its wholly-owned subsidiary, First Security Bank, a community bank based in Bozeman, Montana. FSB provides banking services to individuals and businesses throughout Montana with locations in Bozeman, Belgrade, Big Sky, Choteau, Fairfield, Fort Benton, Three Forks, Vaughn and West Yellowstone. The acquisition expands the Company's presence in the Bozeman and Golden Triangle markets in Montana and further diversifies the Company's loan, customer and deposit base. FSB merged into the Bank and became a new bank division headquartered in Bozeman and the Bank's existing Bozeman-based division, Big Sky Western Bank, combined with the new FSB division. The agriculture-focused northern branches of FSB combined with the Bank's First Bank of Montana division. The FSB acquisition was valued at $181,043,000 and resulted in the Company issuing 4,654,091 shares of its common stock. The fair value of the Company shares issued was determined on the basis of the closing market price of the Company's common stock on the February 28, 2018 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and FSB. None of the goodwill is deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange.

On January 31, 2018, the Company acquired 100 percent of the outstanding common stock of Columbine Capital Corp. and its wholly-owned subsidiary, Collegiate Peaks Bank, a community bank based in Buena Vista, Colorado. Collegiate provides banking services to businesses and individuals in the Mountain and Front Range communities of Colorado, with locations in Aurora, Buena Vista, Denver and Salida. The acquisition expands the Company's presence in Colorado to the mountains and along the Front Range and further diversifies the Company's loan, customer and deposit base. Collegiate merged into the Bank and operates as a separate Bank division under its existing name and management team. The Collegiate acquisition was valued at $96,083,000 and resulted in the Company issuing 1,778,777 shares of its common stock and paying $16,265,000 in cash in exchange for all of Collegiate's outstanding common stock shares and $10,054,000 due to an effective settlement of pre-existing receivable from Columbine Capital Corp. The fair value of the Company shares issued was determined on the basis of the closing market price of the Company's common stock on the January 31, 2018 acquisition date. The excess of the fair value of consideration transferred over total identifiable net assets was recorded as goodwill. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and Collegiate. None of the goodwill is deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange.

The fair values of the FSB and Collegiate assets acquired include loans with fair values of $627,767,000 and $354,252,000, respectively. The gross principal and contractual interest due under the FSB and Collegiate contracts was $632,370,000 and $355,364,000, respectively. The Company evaluated the principal and contractual interest due at each of the acquisition dates and determined that insignificant amounts were not expected to be collectible.

The Company incurred $4,714,000 and $1,683,000 of expenses in connection with the FSB and Collegiate acquisitions, respectively, during the year ended December 31, 2018. Mergers and acquisition expenses are included in other expense in the Company's consolidated statements of operations and consist of third-party costs, conversion costs and employee retention and severance expenses.

Total income consisting of net interest income and non-interest income of the acquired operations of FSB was approximately $42,796,000 and net income was approximately $11,303,000 from February 28, 2018 to December 31, 2018. Total income consisting of net interest income and non-interest income of the acquired operations of Collegiate was approximately $23,921,000 and net income was approximately $4,962,000 from January 31, 2018 to December 31, 2018. The following unaudited pro forma summary presents consolidated information of the Company as if the FSB and Collegiate acquisitions had occurred on January 1, 2017:

	Years ended	
(Dollars in thousands)	December 31, 2018	December 31, 2017
Net interest income and non-interest income	$ 560,979	520,634
Net income	177,267	138,042

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes or disagreements with accountants on accounting and financial disclosure.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the CEO and Chief Financial Officer ("CFO"), of the effectiveness of the disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that as of the end of the period covered by this report, the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that are filed or submitted under the Securities Exchange Act of 1934 are recorded, processed, summarized and timely reported as provided in the SEC's rules and forms. As a result of this evaluation, there were no significant changes in the internal control over financial reporting during the year ended December 31, 2019 that have materially affected, or are reasonable likely to materially affect, the internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting as it relates to its financial statements presented in conformity with GAAP. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with GAAP. Internal control over financial reporting includes self monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

There are inherent limitations in any internal control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Management assessed its internal control structure over financial reporting as of December 31, 2019. This assessment was based on criteria for effective internal control over financial reporting described in the "2013 Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management asserts that the Company maintained effective internal control over financial reporting as it relates to its financial statements presented in conformity with GAAP.

BKD, LLP, the independent registered public accounting firm that audited the financial statements for the year ended December 31, 2019, has issued an attestation report on the Company's internal control over financial reporting. Such attestation report expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 and is included in "Item 8. Financial Statements and Supplementary Data."

Item 9B. Other Information

At the recommendation of its Compensation Committee, the Board of Directors of the Company recently approved amendments to its Employment Agreements with Randall M. Chesler, President and Chief Executive Officer, Ron J. Copher, Executive Vice President and Chief Financial Officer, and Don J. Chery, Executive Vice President and Chief Administrative Officer (the "Executives"). Under each Executive's Amendment to Employment Agreement (each, an "Amendment"), the term of the Executive's Employment Agreement is amended to continue for a period of two (2) years (the "Term") and, subject to prior termination in accordance with the Employment Agreement, automatically extend for an additional one–year term from the anniversary of the Amended Commencement Date, as defined in the Amendment (the "Renewal Date"), under the same terms and conditions unless either the Company and the Bank or the Executive give(s) written notice of non–renewal to the other party(ies) at least one hundred twenty (120) days prior to a Renewal Date. In the event of such a notice of non–renewal, the Term and Employment Agreement will terminate at the end of the then–current two–year Term.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding "Directors and Executive Officers" is set forth under the headings "Election of Directors" and "Management – Named Executive Officers Who Are Not Directors" of the Company's 2020 Annual Meeting Proxy Statement ("Proxy Statement") and is incorporated herein by reference.

Information regarding "Compliance with Section 16(a) of the Exchange Act" is set forth under the section "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's Proxy Statement and is incorporated herein by reference.

Information regarding the Company's Corporate Governance, including the Audit Committee, is set forth under the headings of "Corporate Governance" and "Report of Audit Committee" in the Company's Proxy Statement and is incorporated herein by reference.

The Company has adopted a Code of Ethics for Senior Financial Officers, a Director Code of Ethics and a Code of Ethics and Conduct applicable to all employees. Each of the codes is available electronically by visiting the Company's website at www.glacierbancorp.com and clicking on "Governance Documents" or by writing to: Glacier Bancorp, Inc., Corporate Secretary, 49 Commons Loop, Kalispell, Montana 59901. Waivers of the applicable code for directors or executive officers are required to be approved by the Company's Board of Directors. Information regarding any such waivers will be disclosed on a current report on Form 8-K within four business days after the waiver is approved.

Item 11. Executive Compensation

Information regarding "Executive Compensation" is set forth under the headings "Compensation of Directors," "Executive Compensation," "Compensation Discussion and Analysis" and "Compensation Tables" of the Company's Proxy Statement and is incorporated herein by reference.

Information regarding the "Compensation Committee Report" is set forth under the heading "Report of Compensation Committee" of the Company's Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" is set forth under the headings "Voting Securities and Principal Holders Thereof," "Compensation Discussion and Analysis," "Compensation of Directors" and "Equity Compensation Plan Information" of the Company's Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding "Certain Relationships and Related Transactions, and Director Independence" is set forth under the headings "Transactions with Management" and "Corporate Governance – Director Independence" of the Company's Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding "Principal Accounting Fees and Services" is set forth under the heading "Auditors – Fees Paid to Independent Registered Public Accounting Firm" of the Company's Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

List of Financial Statements and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

(1) Financial Statements and

(2) Financial Statement schedules required to be filed by Item 8 of this report.

(3) The following exhibits are required by Item 601 of Regulation S-K and are included as part of this Form 10-K:

Exhibit No.	Description
3(i) [1]	Amended and Restated Articles of Incorporation. Filed as Exhibit 3.i to Form 10-Q filed on August 8, 2008.
3(ii) [1]	Amended and Restated Bylaws. Filed as Exhibits 3.ii to Form 10-Q filed on August 8, 2008.
4(a) [3]	Description of Glacier Bancorp, Inc.'s Securities Registered Pursuant to Section 12 of the Securities Exchange Act
10(a) [1,2]	Amended and Restated Deferred Compensation Plan effective January 1, 2008. Filed as Exhibit 10(c) to Form 10-K filed on March 2, 2009.
10(b) [1,2]	Amended and Restated Supplemental Executive Retirement Agreement effective January 1, 2008. Filed as Exhibit 10(d) to Form 10-K filed on March 2, 2009.
10(c) [1,2]	Nonemployee Service Provider Deferred Compensation Plan effective July 25, 2012. Filed as Exhibit 10.1 to Form 8-K filed on October 31, 2012.
10(d) [1,2]	2015 Stock Incentive Plan. Filed as Exhibit 99.1 to Form S-8 Registration Statement (No. 333-204023) filed on May 8, 2015.
10(e) [1,2]	Form of Stock Option Award Agreement under 2015 Stock Incentive Plan. Filed as Exhibit 99.2 to Form S-8 Registration Statement (No. 333-204023) filed on May 8, 2015.
10(f) [1,2]	Form of Restricted Shares Award Agreement under 2015 Stock Incentive Plan, Filed as Exhibit 99.3 to Form S-8 Registration Statement (No. 333-204023) filed on May 8, 2015.
10(g) [1,2]	2015 Short Term Incentive Plan. Filed as Exhibit 10(g) to Form 10-K filed on February 22, 2019.
10(h) [1,2]	Columbine Capital Corp. 2011 Executive Incentive Plan. Filed as Exhibit 99.1 to Form S-8 Registration Statement (No. 333-224223) filed on April 10, 2018.
10(i) [1,2]	Heritage Bancorp 2010 Stock Compensation Plan. Filed as Exhibit 99.1 to Form S-8 Registration Statement (No. 333-233079) filed on August 7, 2019.
10(j) [1,2]	Employment Agreement effective March 5, 2018 between the Company and Randall M. Chesler. Filed as Exhibit 10.1 to Form 10-Q filed on May 1, 2018.
10(k) [1,2]	Employment Agreement effective March 5, 2018 between the Company and Ron J. Copher. Filed as Exhibit 10.2 to Form 10-Q filed on May 1, 2018.
10(l) [1,2]	Employment Agreement effective March 5, 2018 between the Company and Don J. Chery. Filed as Exhibit 10.3 to Form 10-Q filed on May 1, 2018.
10(m) [2,3]	Form of Amendment to Employment Agreements of Randall M. Chesler, Ron J. Copher and Don J. Chery, effective February 19, 2020.
21	Subsidiaries of the Company (See Item 1. Business, "General")
23 [3]	Consent of BKD, LLP
31.1 [3]	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 [3]	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 [3]	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

Exhibit No.	Description
101.INS [3]	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH [3]	XBRL Taxonomy Extension Schema Document
101.CAL [3]	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF [3]	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB [3]	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE [3]	XBRL Taxonomy Extension Presentation Linkbase Document
104 [3]	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

[1] Exhibit has been previously filed with the United States Securities and Exchange Commission and is incorporated herein as an exhibit by reference to the prior filing.

[2] Compensatory Plan or Arrangement

[3] Exhibit omitted from the 2019 Annual Report to Shareholders.

All other financial statement schedules required by Regulation S-X are omitted because they are not applicable, not material or because the information is included in the consolidated financial statements or related notes.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 21, 2020.

GLACIER BANCORP, INC.

By: /s/ Randall M. Chesler
Randall M. Chesler
President and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 21, 2020, by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Randall M. Chesler Randall M. Chesler	President, CEO, and Director (Principal Executive Officer)
/s/ Ron J. Copher Ron J. Copher	Executive Vice President and CFO (Principal Financial Accounting Officer)

Board of Directors

/s/ Dallas I. Herron Dallas I. Herron	Chairman
/s/ David C. Boyles David C. Boyles	Director
/s/ Sherry L. Cladouhos Sherry L. Cladouhos	Director
/s/ James M. English James M. English	Director
/s/ Annie M. Goodwin Annie M. Goodwin	Director
/s/ Craig A. Langel Craig A. Langel	Director
/s/ Douglas J. McBride Douglas J. McBride	Director
/s/ John W. Murdoch John W. Murdoch	Director
/s/ George R. Sutton George R. Sutton	Director

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DIRECTORS AND OFFICERS

Board of Directors

Dallas I. Herron, Chairman
CEO of CityServiceValcon, LLC

David C. Boyles
Former Chairman of Columbine Capital Corporation and Retired President of Guaranty Bank and Trust Company

Randall M. Chesler
President/CEO of Glacier Bancorp, Inc.

Sherry L. Cladouhos
Retired CEO of Blue Cross Blue Shield of Montana

James M. English
Attorney/English Law Firm

Annie M. Goodwin, RN
Attorney/Goodwin Law Office LLC/Former Montana Commissioner of Banking and Financial Institutions

Craig A. Langel, CPA, CVA
Officer of Langel & Associates, P.C./Owner and CEO of CLC Restaurants, Inc.

Douglas J. McBride, OD, FAAO
Doctor of Optometry

John W. Murdoch
Retired Chairman of Murdoch's Ranch & Home Supply, LLC

George R. Sutton
Attorney/Jones Waldo Holbrook & McDonough, PC/ Former Utah Commissioner of Financial Institutions

Corporate Officers

Randall M. Chesler
President/Chief Executive Officer

Ron J. Copher, CPA
Executive Vice President/Chief Financial Officer/Secretary

Don J. Chery
Executive Vice President/Chief Administrative Officer

Angela L. Dose, CPA
Senior Vice President/Chief Accounting Officer

T.J. Frickle
Senior Vice President/Enterprise Risk Manager

Lee K. Groom
Senior Vice President/Chief Experience Officer

Marcia L. Johnson
Senior Vice President/Chief Operating Officer

Barry L. Johnston
Senior Vice President/Chief Credit Officer

David L. Langston
Senior Vice President/Human Resources Director

Mark D. MacMillan
Senior Vice President/Chief Information Officer

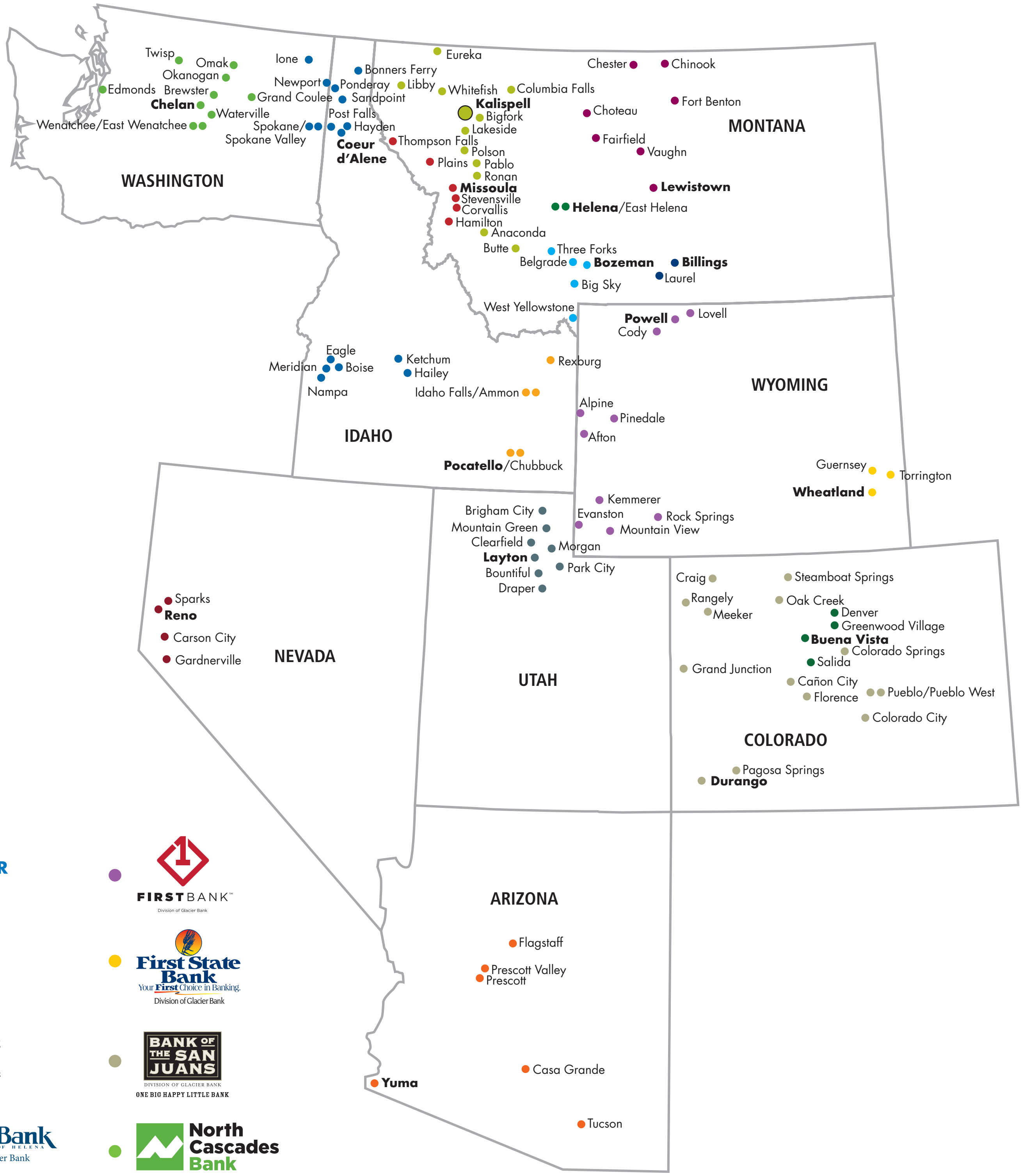
Paul W. Peterson
Senior Vice President/Corporate Real Estate Manager

Byron J. Pollan
Senior Vice President/Treasurer

Casey L. Ries
Senior Vice President/Internal Audit Director

Ryan T. Screnar, CPA, CGMA
Senior Vice President/Compliance Director

Cover photo by Blake Passmore
Going-to-the Sun Point
Glacier National Park, Montana



Glacier Bank

First Bank
Division of Glacier Bank

Western Security Bank
Division of Glacier Bank

First State Bank
Your First Choice in Banking.
Division of Glacier Bank

First Security Bank
Division of Glacier Bank

Bank of the San Juans
Division of Glacier Bank
One Big Happy Little Bank

Valley Bank
Division of Glacier Bank

North Cascades Bank
Division of Glacier Bank

First Security Bank
Division of Glacier Bank

Foothills Bank
Division of Glacier Bank

First Bank of Montana
www.1stbmt.com
Division of Glacier Bank

Collegiate Peaks Bank
Division of Glacier Bank

Mountain West Bank
Division of Glacier Bank

First Community Bank
Division of Glacier Bank

Citizens Community Bank
A Friend You Can Talk To
Division of Glacier Bank

Heritage Bank of Nevada
Division of Glacier Bank

Glacier Bancorp, Inc.

"A Company of Community Banks"

Communities Served as of December 31, 2019